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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST HALF OF 1943
 COMPARED WITH THE SAME PERIOD OF 1942.

The factors indicating the trend of economic conditions averaged higher in the first half of 1943 than in any other period. Productive operations showed a continuance of the upward trend in evidence since the outbreak of hostilities. Stimulated by war demands, the operation of productive enterprises reached a new high level. A tendency toward levelling off was registered in the last two months of the period.

Industrial employment averaged much higher in the first half of the present year than in any other period in Canada's industrial history. The index of employment, after seasonal adjustment, was well maintained during the first four months of the present year, a new high point of 191.3 having been reached at the beginning of April. The adjusted index based on 1926 showed recession in the last two months of the period under review. The general index averaged 181.1 in the first half of 1943 against 166.8 in the same period last year, a gain of 8.6 p.c.

The trend of wholesale prices was upward during the first half of the present year. The average index during the first six months was 98.5 against 95.0 in the same period of 1942. While the indicated increase of 3.7 p.c. was of moderate proportions, the gain was in continuance of a marked advance initiated with the commencement of hostilities. An intermediate reaction in evidence during 1938 has since been more than counterbalanced by the important advance since August, 1939. The upward movement was modified subsequent to November, 1941 upon the application of more effective price control.

The cost of living index based upon the five-year period from 1935 to 1939 averaged 117.6 in the first half of 1943 against 116.0 in the same period last year, a gain of 1.4 p.c. Since February the index has risen steadily with the total increase amounting to 1.9 points. It now stands exactly on a par with the index of last December. Wholesale price indexes of farm production and industrial materials made advances in June and were almost equivalent to the corresponding price levels in 1926. The wholesale index of farm production and industrial production rose in June over the preceding month.

Contingent upon the marked expansion in Canadian banking accounts, due to war financing, an outstanding increase was recorded in the deposit liabilities of the chartered banks. The sum of the four classes of deposits averaged \$3.8 billion during the first half of the present year, a gain of about 21 p.c. over the same period of 1942. An upward trend has been shown in deposits since the beginning of 1934, the pace being greatly accelerated since the outbreak of the war. At the beginning of June, total deposits were \$4.2 billion against \$3.1 billion in the same period of the preceding year. Circulating media in the hands of the public, including bank notes and subsidiary coin, rose from \$527.7 billion to \$713 billion during the same interval. The money supply, consisting of circulating media and deposits, rose from \$3,675 million in July, 1942 to \$4,883 million on the same date of the present year. Cash and cheque payments during the first half of 1943 were \$34,968 as compared with \$28,998 million, a gain of 20.6 p.c. The marked gain in the amount of cheques cashed was partly due to the heavy payments on the fourth Victory Loan during the period under review.

While Dominion bond prices were slightly higher in the first half of the present year than in the same period of 1942, it is obvious that marked stability has characterized the high-grade market. Following the recovery in bond prices from October, 1939 to the relatively high level of the latter part of 1940, no important trend has been recorded in Dominion bonds. The index of bond yields receded from an average of 99.4 in the first half of 1942 to 97.8 in the same period of the present year.

A spectacular change in the movement of speculative factors occurred during the first half of the present year. The wartime low point of common stock prices was recorded during the third quarter of 1942. Marked recovery commenced in September of last year and continued through the first half of 1943. An index of common stocks averaged 81.1 in the first six months against 63.3 in the same period of last year, a gain of more than 28 p.c. The volume of trading on the stock exchanges followed a similar pattern.

Grain marketings rose sharply in the first half of the present year. The index advanced from 84.5 to 202, while live stock marketings and cold storage holdings were at a lower level in the period under review.

The index of the physical volume of business was 231 in the first half of the present year against 196 in the same period in 1942. The rise in mineral production was 14.4 p.c., the index averaging 262.3 in the first half of the present year in comparison with 229.2. Manufacturing was at a new high point, 26.1 p.c. above the same period last year, the index being 288.8 against 229.0. The output of flour and creamery butter showed marked increases over the same period of 1942, while the gain in the release of tobacco indicated greater activity in the industry. The advance in the release of cigarettes was 19.5 p.c.

The central electric stations recorded greater output in the first half of 1943. The total consumption of firm power was 17.2 billion kilowatt hours against 15 billion, a gain of 9 p.c.

Factors indicating the trend of distribution recorded considerable increase. Retail sales showed an average gain of 4.5 p.c. over the first half of last year. Railway traffic as indicated by statistics of tons carried one mile, rose about 5 p.c. in the first half of the present year. The total was 21.4 billion ton-miles against 20.4 billion in the same period last year. The increase in the gross revenue of the C.P.R. was 11.7 p.c. to \$112.3 million.

The total revenue of the Dominion government receded from \$620 million from April to June to \$582 million in the same period of 1943, a decline of 6.2 p.c. Ordinary expenditures rose from \$132 million to \$149 million. The increase in war expenditures, exclusive of the United Kingdom War Financing, rose 20 p.c. The expenditure in the first three months of the last fiscal year was \$360 million. No account was taken of expenditures under the Mutual aid account during the period from April to June last.

National income was \$751,876,000 in June compared with \$649,177,000 in the same month last year. The gain during the half year over the same period of 1942 was 21.8 p.c., the total having been \$4,355,000,000.

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

	Unit or Base Period	First 1943	Five Months 1942	Per Cent Increase + Decrease -
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1935-9=100	231.0	195.8	+ 18.0
Index of Industrial Production	1935-9=100	266.8	218.5	+ 22.1
Wholesale Prices	1926=100	98.5	95.0	+ 3.7
Cost of Living	1935-9=100	117.6	116.0	+ 1.4
Index of Common Stock Prices	1935-9=100	81.1	63.3	+ 28.1
Index of Bond Yields	1935-9=100	97.8	99.4	- 1.6
Bank debts	\$ 000	25,467,387	21,591,707	+ 17.9
<u>Production and General Business</u>				
Farm Products -				
Index of Grain Marketings	1935-9=100	201.9	84.5	+ 138.9
Index of Livestock Marketings	1935-9=100	92.3	101.0	- 8.6
Index of Cold Storage Holdings (7 months)	1935-9=100	137.8	155.5	- 11.4
Mineral Production				
Gold Receipts at Mint	Fine Ozs.	1,917,911	2,376,652	- 19.3
Coal Production	Tons	8,853,962	9,416,513	- 6.0
Manufacturing Production				
Flour Production (5 months)	Bbls.	10,304,154	8,390,031	+ 22.8
Cattle Slaughtering	No.	766,527	825,583	- 7.2
Hog Slaughtering	No.	3,278,122	3,172,928	+ 3.3
Creamery Butter Production	Lbs.	142,099,087	119,504,894	+ 18.9
Factory Cheese Production	Lbs.	52,877,955	85,052,676	- 37.8
Cigarettes released	No.	5,541,283,809	4,635,621,152	+ 19.5
Cigars released	No.	100,199,658	95,448,200	+ 5.0
Leather Boots and Shoes (5 months)	Pairs	12,370,753	12,011,597	+ 3.0
Raw cotton Consumption	Lbs.	95,515,019	104,117,359	- 8.3
Paper and Lumber -				
Newsprint Production	Tons.	1,443,670	1,658,174	- 12.9
Iron and Steel ..				
Steel Ingot Production	Short Ton	1,499,153	1,559,238	- 3.9
Pig Iron Production	Short Ton	867,789	974,000	- 10.9
Coke Production	Short Ton	1,569,242	1,633,870	- 4.0
Construction -				
Contracts awarded	\$	102,126,800	134,947,200	- 24.3
Building Permits (58 Municipalities)	\$	25,998,216	36,938,034	- 29.6
Consumption of Firm Power	000 K.W.H.	17,247,626	15,844,640	+ 8.9
Internal Trade -				
Wholesale Sales (5 months)	1935-9=100	157.3	147.4	+ 6.7
Retail Sales (5 months)	1935-9=100	148.3	141.4	+ 4.9
Railways - Tons carried 1 mile - (5 months) 2 Rlys.	000,000 tons	21,416	20,377	+ 5.1
Carloadings	No.	1,632,821	1,634,701	- 0.1
Gross Revenue C.N.R. (Canadian Lines)				
(5 months)	\$	151,246,000	120,861,000	+ 25.1
Gross Revenue C.P.R. (5 months)	\$	112,250,934	100,460,055	+ 11.7
Employment - Unadjusted (6 months' average)				
General Index	1926=100	181.1	166.8	+ 8.6
Manufacturing		222.8	196.9	+ 13.2
Logging		197.2	220.1	- 10.4
Mining		160.1	175.4	- 8.7
Construction		123.5	112.9	+ 9.4
Building		172.1	138.0	+ 24.7
Highway		106.3	120.1	- 11.5
Trade -				
		152.9	156.9	- 2.5
Banking - (6 months' average)				
Deposits, Four Classes	\$000	3,846,684	3,180,503	+ 20.9
Current Loans	\$000	1,026,204	1,106,904	- 7.3
Circulating Media	\$000,000	713.1	527.7	+ 35.1
Cash and Cheque Payments (6 months' Total)	\$000,000	34,968	28,998	+ 20.6
Dominion Finance - April to June				
Total Revenues	\$	581,761,954	620,293,383	- 6.2
Ordinary Expenditures	\$	149,160,942	132,433,456	+ 12.6
War Expenditures	\$	669,422,537	557,490,675	+ 20.1
United Kingdom War Financing	\$	-	360,000,000	-
National Income (Tentative Computation)	\$000,000	3,355	3,576	+ 21.8

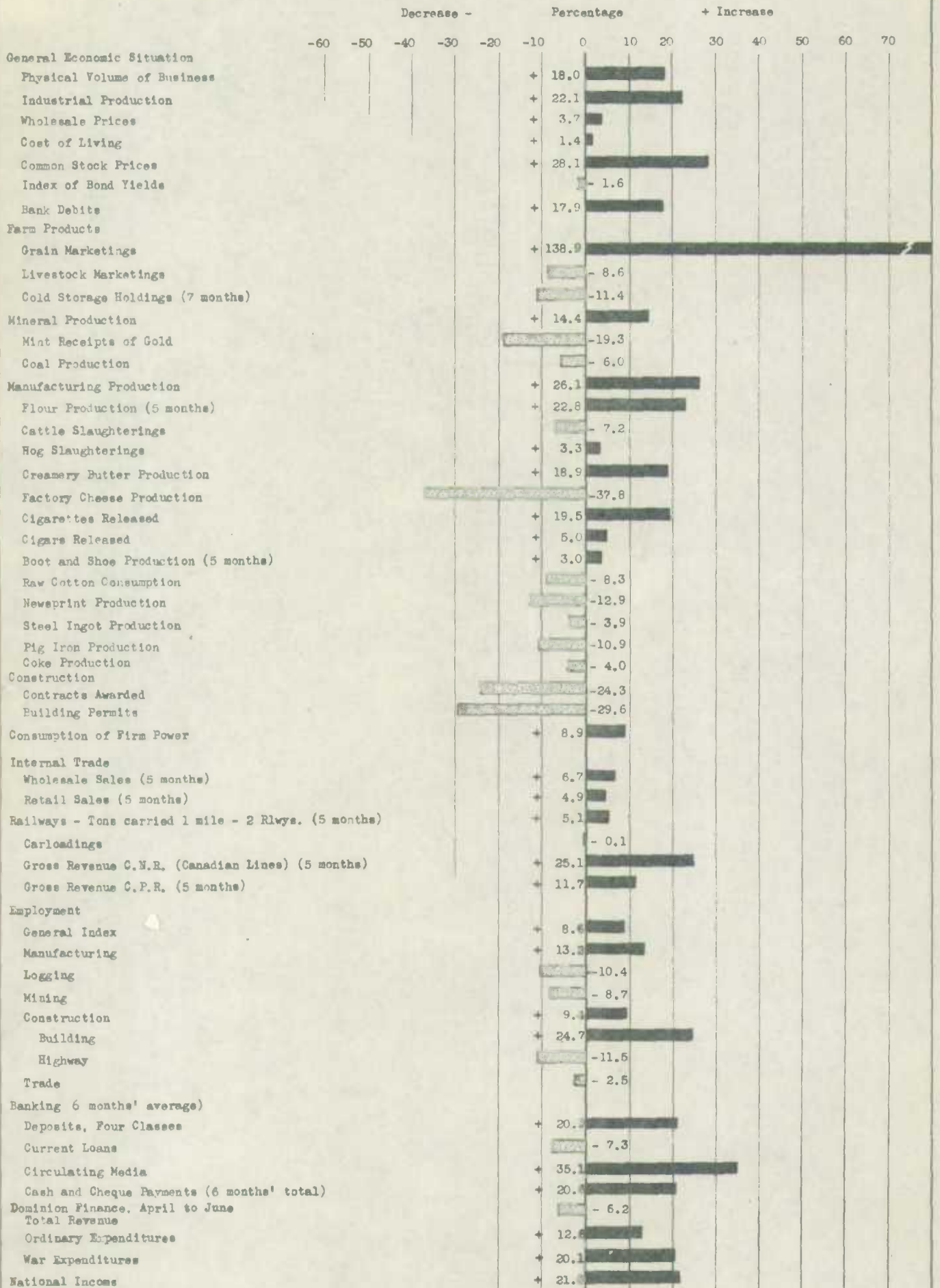
Twenty-one items recorded declines, while thirty-one showed increases.

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THE ECONOMIC SITUATION IN CANADA

for the first half 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 II. - OPERATING ACCOUNTS OF PRIMARY PRODUCTION AND PROCESSING

\$ 000

Year	Income Originating	Salaries and Wages	No Pay Allowances	With- drawals	Net Dividends	Net Interest	Payments to Individuals	Positive or Negative Savings
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1919	1,260,862	313,746	50,489	725,010	41,921	10,888	1,170,038	+ 90,824
1920	1,419,552	396,346	50,421	803,461	51,155	12,212	1,346,376	+ 73,176
1921	877,661	319,501	50,267	625,708	31,831	16,639	1,078,652	- 200,991
1922	954,311	302,216	46,904	562,410	40,875	18,485	1,006,465	- 52,154
1923	1,020,989	352,549	48,037	595,257	47,396	19,248	1,095,708	- 74,719
1924	1,084,323	340,799	50,712	578,999	52,206	21,655	1,076,357	+ 7,966
1925	1,304,252	344,481	50,187	587,519	60,474	23,112	1,095,275	+ 208,977
1926	1,281,530	370,351	56,153	618,307	68,695	27,973	1,169,552	+ 111,978
1927	1,336,185	390,479	58,591	642,998	66,435	31,053	1,217,973	+ 118,212
1928	1,503,212	411,918	65,547	654,801	68,435	36,646	1,268,315	+ 234,897
1929	1,404,724	409,077	69,998	625,825	81,894	40,251	1,256,841	+ 147,883
1930	1,032,534	385,122	71,450	595,427	88,504	46,111	1,216,046	- 183,512
1931	729,992	282,329	55,232	538,773	72,198	51,515	1,026,160	- 296,168
1932	568,421	221,881	44,919	456,956	58,337	49,224	853,357	- 284,936
1933	599,464	207,478	41,691	391,339	58,602	46,138	764,957	- 165,493
1934	782,226	247,419	41,082	371,195	79,698	45,700	804,689	- 22,463
1935	863,014	278,915	42,722	386,412	87,392	46,206	860,157	+ 2,857
1936	995,093	308,463	41,772	415,628	110,972	42,582	939,517	+ 56,576
1937	1,180,851	371,299	43,131	450,214	140,357	40,668	1,064,973	+ 115,878
1938	1,151,825	369,905	42,547	467,623	139,572	39,559	1,076,508	+ 75,317
1939	1,274,192	390,564	43,615	500,099	147,937	45,996	1,144,520	+ 129,672
1940	1,440,378	446,844	46,567	540,417	153,588	48,411	1,253,195	+ 187,183

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Operating Accounts of Primary Production and Processing, 1919,- 1940

Notes on Table II.

The major group of primary production and processing embraces the activities based upon the development and use of natural resources. Six minor groups and industries are included in the compilation. Agriculture includes fur farming and the woods operations of the farmer on his own property. Dairy activities are limited to the production of milk, butter and cheese on the farms. Forestry includes the operations of the saw-milling and pulp and paper industries as well as woods operations other than those of the farmer on his wood lot. Fish canning and curing plants as well as primary operations are included in the fisheries group. The activities of trappers and hunters are considered as constituting the trapping industry to the exclusion of fur farming.

As the final product is the first to which the commercial value is assigned, the processing industries of smelting, cement, clay products, lime and salt are included in mining. The electric power industry coincides with central electric stations as annually reported by the Bureau.

The income originating is computed by deducting from the gross operating revenues, the sum of the cost of commodities and services obtained from other enterprises and depreciation charges. The same result is obtained by the addition of columns (b) to (f) and (h) plus farm mortgage interest paid to individuals.

(b) The salaries and wages paid by farm operators is the product of the number of employees by the annual rate of remuneration. The data furnished by the agricultural division of the decennial census were taken as indicative of conditions in 1920, 1930 and 1940. The census returns for the Prairie Provinces for 1925 and 1935 were also taken into consideration. The numbers were interpolated by provinces by an index of area and production of field crops and the rates were estimated by means of data on annual remuneration in cash and board published by the Agricultural Statistics Branch. The salaries and wages paid in the processing phases of forestry and fisheries are given in annual census reports. The remuneration of employees in woods operations other than on farms, primary fishing and trapping are based mainly on decennial census returns with interpolation according to data prepared annually by the Forestry and Animal Products Branches of the Bureau. The payrolls of the mining and electric power groups are taken directly from the annual census reports.

(c) The living allowances of so-called unpaid labour occupied on farms was derived from annual and decennial census data. The numbers were obtained from the decennial censuses of 1921, 1931, and 1941. The board allowances of farm labourers was useful in estimating the rates of remuneration. The numbers were interpolated by means of an index of the area of field crops. "No pay" allowances were also estimated for primary forestry and fisheries.

(d) The numbers of farm operators were given by the industrial division of the decennial census for the years 1921, 1931 and 1941. The intercensal years were estimated according to the number of occupied farms in each of the nine provinces. The rates were established as a differential over the wage rate in decennial census years and interpolated by means of a smoothed version of the wage rate. Withdrawals were also estimated for other industries in the group except electric power.

(e) and (f) Net dividends and interest on bonds and debentures were computed for forestry, fisheries, mining and electric power. The basic data were obtained by a study of the income statements of companies as presented in "Corporate Securities" and other sources. The results are given without deduction of the international balance, on dividends and interest, that is, the excess of the entire outward payments over the receipts of Canadian residents holding securities of other countries.

(g) Income payments to individuals embrace the sum of columns (b) to (f) as well as the amount of farm mortgage interest paid to individuals.

(h) The positive or negative savings are the difference between the payments to individuals (column g) and income originating (column a). The results for processing, mining and electric power were verified by the examination of corporation accounts.

CHART 1.

INCOME PAYMENTS TO INDIVIDUALS
PRIMARY PRODUCTION AND PROCESSING
BEFORE DEDUCTION OF INTERNATIONAL BALANCE ON DIVIDENDS AND INTEREST

Billion
Dollars

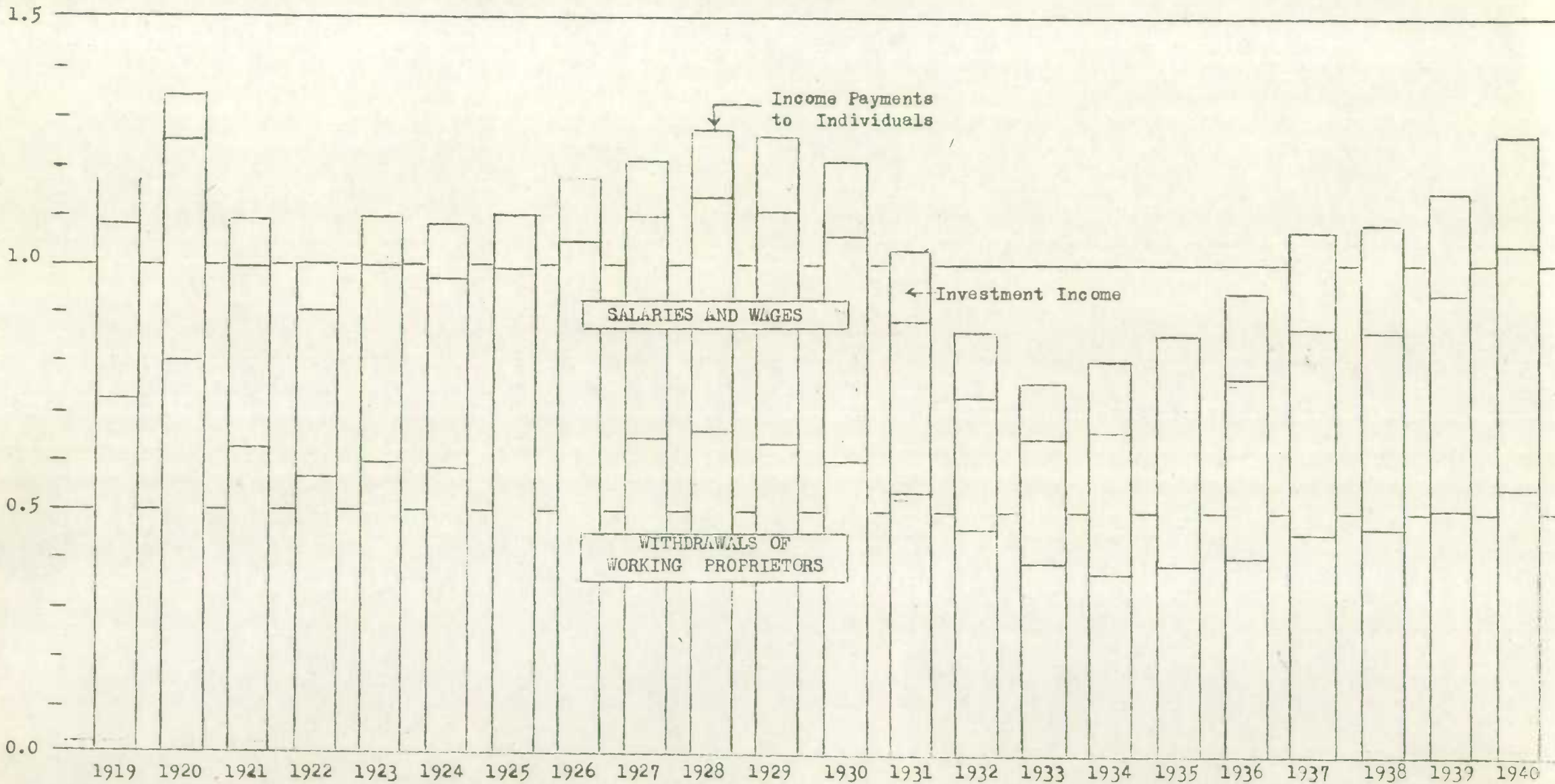


CHART 2.

INCOME ORIGINATING AND PAYMENTS TO INDIVIDUALS

PRIMARY PRODUCTION AND PROCESSING BEFORE DEDUCTION OF INTERNATIONAL BALANCE ON DIVIDENDS AND INTEREST

Billion
Dollars

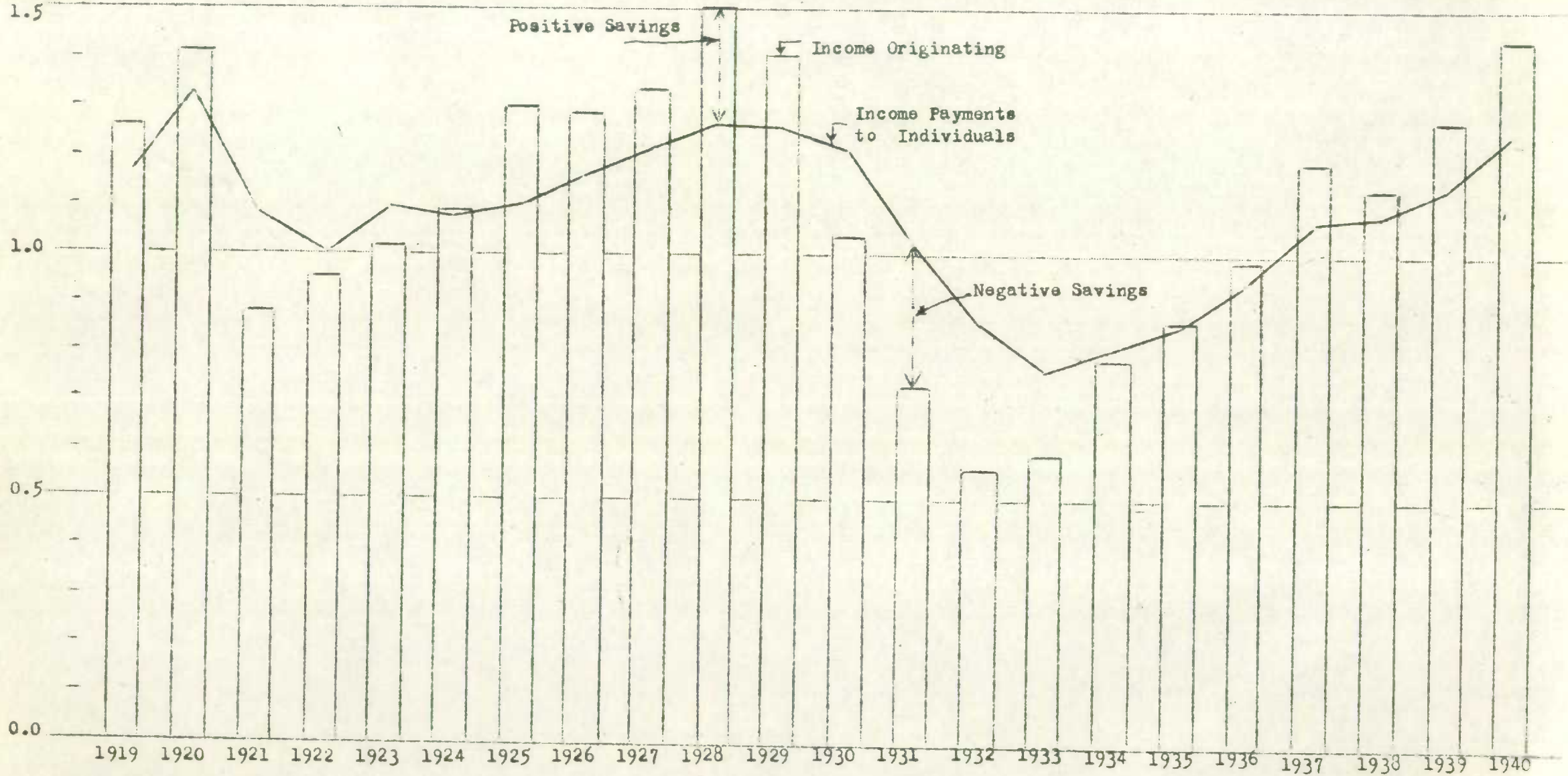
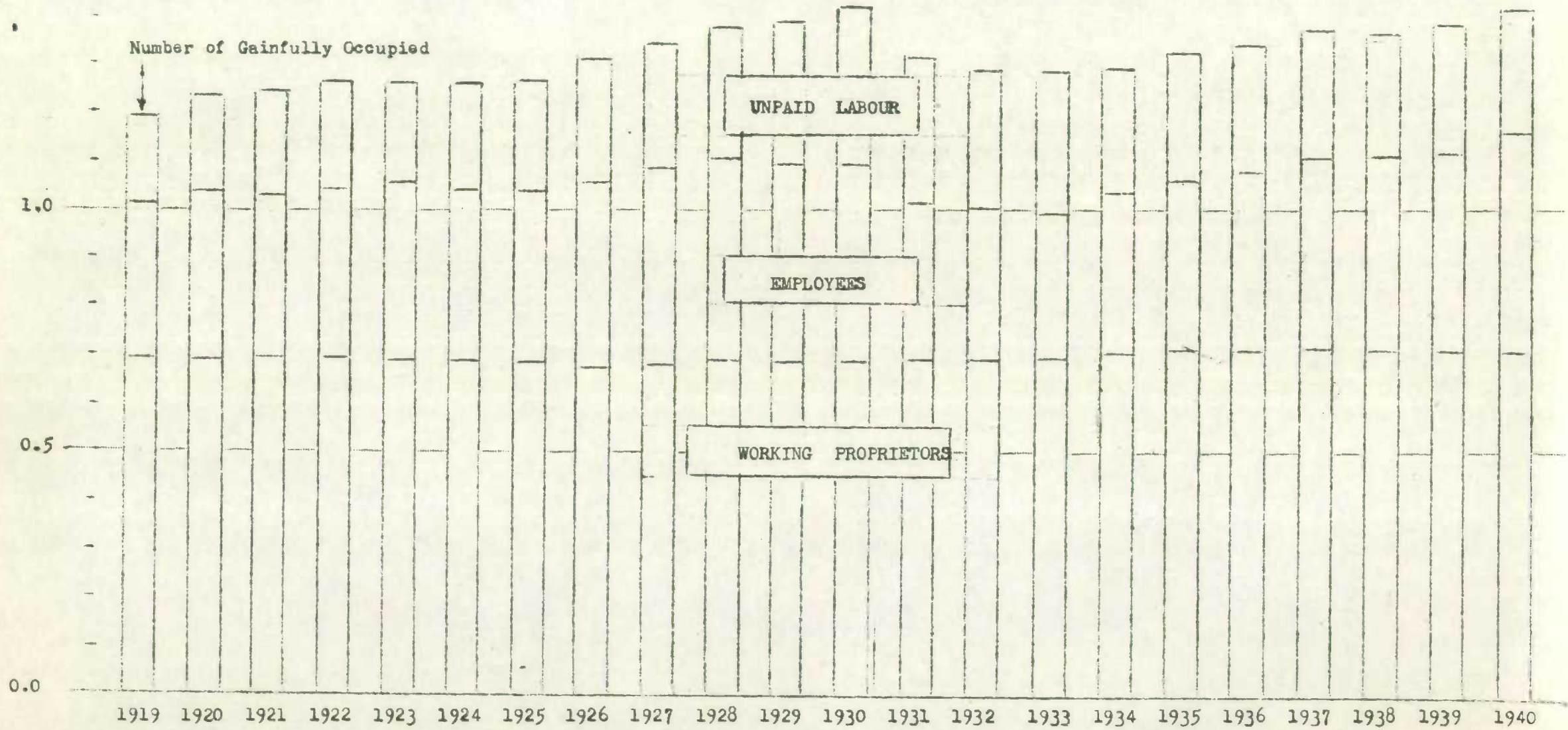


CHART 3.

NUMBER OF PERSONS OCCUPIED
IN
PRIMARY PRODUCTION AND PROCESSING
ON FULL-TIME BASIS

Million
Persons
1.5





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