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DOMINION BUREAU OF STATISTICS - OTTAWA
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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST SEVEN MONTHS OF 1943 COMPARED WITH THE SAME PERIOD OF 1942.

Each of the major factors indicating the trend of economic conditions recorded advances in the first seven months of the present year over the same period of 1942. Marked advances have been in process for three indicators of fundamental importance since the outbreak of hostilities. The index of business operations showed an advance over the preceding high point of 1929 during the early part of 1940. The acceleration since that time has been extensive. The maximum in current months was reached in April and the standing of the index of the physical volume of business increased in July, counter-balancing most of the recession of the two preceding months. The net result was that the index on the base of 1935-39 averaged 231.7 in the first seven months against 197 in the same period of 1942, the gain was 17.6 p.c. A greater percentage gain was shown in the index of industrial production based on mining, manufacturing, construction and electric power.

The advance in wholesale prices was of more moderate proportions. A marked rise was recorded from the outbreak of hostilities until October, 1941. Since that time the increase of wholesale prices has been of more moderate proportions. In July, however, the index on the basis of 1926, was slightly above par. The increase during the first seven months of the present year was to 98.7 from 95.1 in the same period of 1942, a gain of less than 4 p.c. The composite wholesale index rose 0.6 points in July over the preceding month to reach 100.1. The marked decline from 1929 to the first quarter of 1933 has been more than counter-balanced and the present standing is greater than at any other time for 17 years. A slight gain also occurred in the index of the cost of living, the number averaging 117.8 against 116.2, a gain of 1.4 p.c. Since February the index of the cost of living has risen, the total increase amounting to 1.9 points, which is exactly on a par with the December index and is 0.9 points above the standing of July, 1942, upon which the cost of living bonus was authorized.

Marked changes have occurred in the accounts of the chartered banks since the early months of 1934. The deposit liabilities have, for example, shown an upward trend since that time and the advances were accelerated subsequent to the outbreak of hostilities. The four main classes of deposits averaged $3,847,million in the first six months of the present year against $3,181 million in the same period of 1942, the gain being no less than 20.9 p.c. Circulating media in the hands of the public consisting of bank notes and coin rose from $528 million to $713 million in the same comparison, a gain of 35 p.c. It appears that the turnover of deposits and circulating media was slightly less in the elapsed portion of 1943 as compared with the same period last year, observing that the cash and cheque payments have risen 20.4 p.c. from $34,047 million to $40,983 million. The increase in such payments was slightly less than the gain in the money supply consisting of circulating media and deposits. The trend in current loans presented a contrast to that of the money supply. Current loans averaged $1,026 million in the first six months of the present year against $1,107 million in the same period of 1942, a decline of 7.3 p.c.

The index of high-grade bond yields receded from 99.3, the average for the first seven months of 1942, to 98.7, a decline of 1.6 p.c. Measured by this index the prices of Dominion bonds averaged slightly higher in the present year as compared with the same period of 1942. The increase of high grade bond prices has been of moderate proportions. During the first month of hostilities Dominion bonds experienced a setback, a considerable part of which was counter-balanced in subsequent months.

The advance of common stock prices, starting in February last year, continued during the first seven months of 1943. An index on the basis of 1935-39 averaged 82.5 during the first seven months against 63.2 in the same period of last year, a gain of no less than 30.5 p.c. A considerable part of the reaction in the second quarter of 1940 and subsequent months was counter-balanced by the steady advance between August last year and July. Activity on the stock exchanges followed a similar pattern to that of stock prices, recording a marked increase from August, 1942 to July of the present year.

Productive operations showed a continuance of the advance characteristic of the war period under prevailing conditions. The index of the physical volume of business rose to a new high position in history during the period under review. The index of mineral production showed an increase of 19.6 p.c. over the first seven months of 1942, the standing having been 271.6 against 227. Gold receipts at the Mint showed a recession of 20 p.c., while the output of coal was 6.8 p.c. lower.

The index of manufacturing production rose 24.5 p.c. to 288.2 in the period under review. Flour production in the first half year recorded an increase of 25 p.c. Butter production was 186.6 million pounds against 159.8 million, while a decline was shown in the output of factory cheese. The number of cigarettes and cigars made available recorded further increases, the gains having been 16.1 p.c. and 3.5 p.c., respectively. Declines were recorded in the consumption of raw cotton and newsprint production. The iron and steel industry was slightly less active in the period under review. Steel production was 1,749,661 tons, a decline of 3.8 p.c. The construction industry obtained less new business during the period. The utilization of firm power was 20.2 billion kilowatt hours against 18.5 billion, an increase of nearly 9 p.c.

The index for wholesale sales moved up about 10 points to 160.3, while the gain in retail sales was 4.5 p.c. The higher levels of the movement of railway traffic reached in the first period of 1942 were somewhat exceeded in the last seven months. Carloadings were practically maintained in comparison with the first seven months of last year. Increases were recorded in the gross revenue of both the C.N.R. and the C.P.R., amounting to 24.9 p.c. and 12.6 p.c., respectively.

The greater production of Canadian industry was paralleled by a further increase in employment. A general index of employment averaged for the first seven reporting dates was 181.4 against 168 in the same period last year, a gain of 8 p.c. Considerable gains were shown in manufacturing and building construction, with somewhat lower positions being recorded for logging, mining and trade.

The total revenue of the Dominion government rose 16.8 p.c. in the first four months of the present fiscal year over the same period of last year, the total was $867 million against $742 million. The ordinary expenditures were 9.3 p.c. greater, while the war expenditures showed a gain of 26.8 p.c. The outlay under the United Kingdom War Financing account was $472.5 million in the first four months of the last fiscal year, while the expenditures under the United Nations Mutual Aid account of the present year was $188 million.

The tentative computation of the National Income amounted to $5,101 million in the first seven months of the present year against $4,234 million in the same period of 1942, a gain of 20.5 p.c. The total in July was $749,860,000 against $658,257,000 in the same month last year. The standing in June this year was $752,684,000. The income of July was greater than in any other month except the preceding month. The index on the basis of 1929 was 171.8 in July compared with 172.5 in the preceding month, and 150.9 in the same month of 1942. The influences raising the National Income during the war period include expenditures on munitions and war supplies, an extraordinary rise in export trade and the expansion in the money supply.

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

	Unit or Base Period	First Seven Months 1943	First Seven Months 1942	Per Cent Increase + Decrease -
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	231.7	197.0	+ 17.6
Index of Industrial Production	1935-9=100	267.8	220.0	+ 21.7
Wholesale Prices	1926=100	98.7	95.1	+ 3.8
Cost of Living	1935-9=100	117.8	116.2	+ 1.4
Index of Common Stock Prices	1935-9=100	82.5	63.2	+ 30.5
Index of Bond Yields	1935-9=100	97.7	99.3	- 1.6
Bank debits	$000	29,873,333	25,295,840	+ 18.1
Production and General Business				
Mineral Production	1935-9=100	271.6	227.0	+ 19.6
Gold Receipts at Mint	Fine Ozs.	2,245,747	2,808,087	- 20.0
Coal Production	Tons	10,219,610	10,965,905	- 6.8
Manufacturing Production	1935-9=100	288.2	231.5	+ 24.5
Flour Production (6 months)	Bbls.	12,159,615	9,725,208	+ 25.0
Cattle Sla ughterings	No.	899,092	969,324	- 7.2
Hog Slaughterings	No.	3,758,418	3,584,673	+ 4.8
Creamery Butter Production	Lbs.	186,646,390	159,809,768	+ 16.8
Factory Cheese Production	Lbs.	79,591,990	115,257,170	- 30.9
Cigarettes released	No.	6,361,796,000	5,479,225,939	+ 16.1
Cigars released	No.	115,340,041	111,450,021	+ 3.5
Leather Boots and Shoes (6 months)	Pairs	14,797,323	14,421,067	+ 2.6
Raw cotton consumption	Lbs.	109,795,767	121,130,055	- 9.4
Paper and Lumber -				
Newsprint Production	Tons	1,705,993	1,899,352	- 10.2
Iron and Steel -				
Steel Ingot Production	Short Ton	1,749,661	1,818,301	- 3.8
Pig Iron Production	Short Ton	1,019,158	1,146,153	- 11.1
Coke Production	Short Ton	1,876,969	1,909,273	- 1.7
Construction -				
Contracts awarded	$	118,293,700	167,040,600	- 29.2
Building Permits (58 Municipalities)	$	34,004,365	44,021,745	- 22.8
Consumption of Firm Power	000 K.W.H.	20,210,095	18,472,095	+ 8.9
Internal Trade -				
Wholesale Sales (6 months)	1935-9=100	160.3	150.6	+ 6.4
Retail Sales (6 months)	1935-9=100	150.0	143.6	+ 4.5
External Trade -				
Exports	$000	1,594,628	1,306,999	+ 22.0
Imports	$000	990,567	982,054	+ 0.9
Active Balance of Trade	$000	+ 604,061	+ 324,945	+ 85.9
Railways - Tons carried 1 mile - (6 months) 2 Rlys.	000,000 tons	26,442	24,700	+ 7.1
Carloadings	No.	1,926,272	1,928,470	- 0.1
Gross Revenue C.N.R. (Canadian Lines) (6 months)	$	186,085,200	149,043,000	+ 24.9
Gross Revenue C.P.R. (6 months)	$	137,254,503	121,884,000	+ 12.6
Employment - Unadjusted (7 months' average)				
General Index	1926=100	181.4	168.0	+ 8.0
Manufacturing		223.3	198.7	+ 12.4
Logging		190.3	212.9	- 10.6
Mining		159.6	175.2	- 8.9
Construction		125.0	116.4	+ 7.4
Building		170.3	139.5	+ 22.1
Highway		112.5	126.6	- 11.1
Trade		152.7	156.3	- 2.3
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 (7 months' Total)	$000,000	40,983	34,047	+ 20.4
Dominion Finance - April to July				
Total Revenues	$	867,157,606	742,131,644	+ 16.8
Ordinary Expenditures	$	195,074,644	178,429,754	+ 9.3
War Expenditures	$	939,014,199	740,764,743	+ 26.8
United Kingdom War Financing (1942) and United Nations Mutual Aid (1943)	$	188,000,000	472,500,000	-
National Income (Tentative Computation)	$000,000	5,101	4,234	+ 20.5

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

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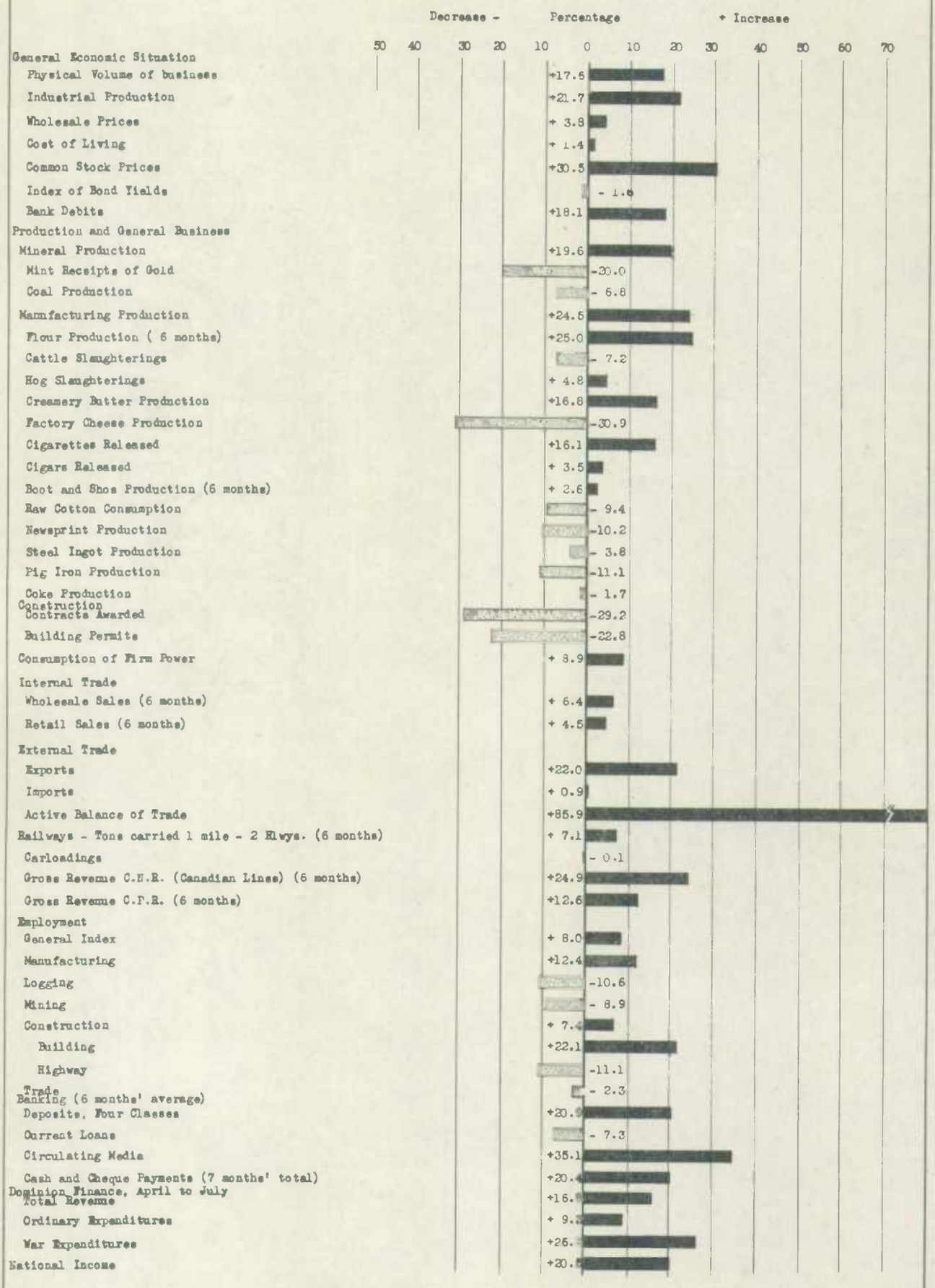
THE ECONOMIC SITUATION IN CANADA

for the first seven months of 1943

as compared with the same period of last year



Dominion Bureau of Statistics

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

TABLE II. - OPERATING ACCOUNTS OF SECONDARY PRODUCTION; EXCLUDING PROCESSING INDUSTRIES

$ 000

Year	Income Originating (a)	Salaries and Wages (b)	With-drawals (c)	Net Dividends (d)	Net Interest (e)	Payments to Individuals (f)	Positive or Negative Savings (g)
1919	902,697	616,079	96,010	50,059	3,674	765,822	+ 136,875
1920	1,053,594	747,482	137,824	56,864	3,462	945,632	+ 107,962
1921	725,877	542,337	115,671	64,413	3,640	726,061	- 184
1922	727,223	542,570	118,200	59,404	4,036	724,210	+ 3,013
1923	776,977	587,008	112,759	60,781	4,461	765,009	+ 11,968
1924	729,422	565,083	105,971	53,087	4,478	728,619	+ 803
1925	771,327	591,170	103,249	51,779	4,662	750,860	+ 20,467
1926	870,802	664,827	109,020	67,549	4,901	846,297	+ 24,505
1927	968,562	710,826	112,890	75,937	5,228	904,881	+ 63,681
1928	1,081,550	776,438	115,835	102,650	6,516	1,001,439	+ 80,111
1929	1,192,546	835,308	117,776	119,344	6,950	1,079,378	+ 113,168
1930	1,063,398	753,127	107,499	145,145	6,444	1,012,215	+ 51,183
1931	835,542	647,601	95,189	135,009	7,112	884,911	- 49,369
1932	584,136	502,280	80,324	108,703	7,106	698,413	- 114,277
1933	532,440	450,813	69,509	72,995	6,014	599,331	- 66,891
1934	601,769	496,654	67,808	51,227	6,086	621,775	- 20,006
1935	682,767	560,457	74,124	65,179	5,940	705,700	- 22,933
1936	777,365	617,611	80,414	73,733	8,036	779,794	- 2,429
1937	931,127	735,878	93,777	80,954	6,892	917,500	+ 13,627
1938	922,636	729,259	96,594	90,561	6,493	922,907	- 271
1939	983,331	757,884	96,641	94,806	5,958	955,289	+ 28,042
1940	1,181,067	942,428	109,199	98,307	5,279	1,155,213	+ 25,854

Operating Accounts of Secondary Production less Processing 1919 - 1940.

Notes on Table II.

Secondary production embraces construction, manufacturing n.e.s. and custom and repair. Construction covers operations of general contractors and sub-contractos as reported in recent years by the Bureau. The statistics of contracts awarded were useful in estimating the gross revenues in the period from 1919 to 1933. The work performed directly by Dominion, Provincial and Municipal authorities was excluded, thus avoiding duplication with the totals shown elsewhere for the government group.

Manufacturing production n.e.s. is exclusive of processing activities closely connected with several primary industries. Saw-milling, and pulp and paper operations are included with forestry, fish canning and curing is a part of the fisheries industry, while smelting, cement, clay products, lime and salt are treated along with mining. The eight industries, for the purpose of avoiding duplication, are excluded from manufactures n.e.s.

Custom and repair includes thirteen industries of which dyeing, cleaning and laundry, and automobile garages are the most important. The industrial section of the decennial census furnishes periodical information in regard to the personnel in these industries. The census of merchandising and service for 1930 and 1941 was useful in estimating the operating accounts.

(a) Owing to the deduction of the processing industries from manufacturing and the elimination of governmental activities from the accounts of the construction industry, a statement of the relative size of the income originating in the three groups, loses some of its significance. With these reservations in mind, it may be stated that about 77 p.c. of the income originating in secondary production during the period from 1919 to 1940 had its source in manufacturing n.e.s. The construction activities contributed 16 p.c., while custom and repair was responsible for the remaining 7 p.c. The major group of secondary production, in turn, was the source of about 20 p.c. of the national income originating in all groups. This proportion would be considerably increased if the processing activities and government construction were included in the calculations.

Despite the serious depression from 1930 to 1936 income originating in manufactures n.e.s. showed a rising trend during the period under observation. Construction, subject to much greater fluctuation in response to economic conditions, showed a declining trend of marked proportions.

The income originating in manufactures n.e.s. is obtained by deducting cost of materials, fuel and electricity; overhead, and depreciation charges from the gross revenue as reported annually by the Census of Industry. The same result is obtained by the summation of income payments and positive or negative savings. The overhead expenditures are estimated on the basis of census returns from 1919 to 1921 and of a special enquiry for representative years in the later part of the period. The depreciation was computed as 6.6 p.c. of the fixed capital including land, buildings, machinery and other equipment.

The computation of income originating in construction was also computed by making appropriate deductions from the gross operating revenues of the industry. The period from 1922 to 1933, inclusive, was interpolated according to an unofficial series of contracts awarded.

A body of information was assembled regarding the operations of thirteen custom and repair industries. Statistics of a number of the activities were collected as a section of the annual census of industries in 1919 to 1921. The census of trading establishments conducted in 1930 and 1941 was the most fruitful source of information.

(b) Salaries and Wages:- The remuneration of employees was the main type of payment originating in secondary production. It accounted for 85.2 p.c. of occupational income and 77.7 p.c. of the total income payments during the first eleven years of the period. The percentage to the occupational income rose slightly to 88.1 p.c. in the last eleven years while the proportion to income payments remained unchanged at 77.7 p.c.

The trend of salaries and wages in the 22-year period is shown in Chart 1 while the numbers of employees on a full-time basis are depicted in Chart 3.

Salaries and wages averaged about $653,000,000 in the 22 years, compared with total occupational income of $754,000,000 and income payments of $840,000,000.

Statistics of salaries and wages in manufactures n.e.s. were obtained directly from annual census reports, payments by the eight duplicated industries being deducted. Remuneration of employees in the construction industry were obtained as the product of the numbers, by rates, computed for the purpose. The decennial census presented data

for 1930-31 and results for 1920 were estimated from available information. Interpolation of numbers was effected by means of indexes of employment and of the volume of construction, and of rates by the index for the building trades as published in the Labour Gazette.

Salaries and wages for the custom and repair group were determined for 1930 from information given by the decennial census. The data collected in connection with the annual census from 1919 to 1921 was also of interest in establishing relationships between different accounts and supplying links which would otherwise have been missing.

(c) Withdrawals of Working Proprietors.- Withdrawals, signifying the remuneration of employers, independent operators and own accounts, for management and work performed, were relatively more steady in the secondary production group than salaries and wages. An upward trend was shown in withdrawals for manufactures n.e.s. during the period from 1919 to 1941, while the trend for construction was adverse. The estimated number of working proprietors engaged in the major group averaged 84,058 in the first half of the period and 76,585 in the last half.

The number of working proprietors in manufactures n.e.s. was taken directly from the decennial census of 1921 and 1931. The margin of the withdrawal rate over the salary-wage rate was determined through the use of census data and American experience. A smoothed version of wage rates was used to interpolate the remuneration rate for working proprietors in intercensal years. The numbers were interpolated according to the number of establishments and the withdrawals of working proprietors engaged in construction for the period from 1919 to 1933 were the products of computed numbers and rates. Numbers for 1921 and 1931 were reported by the decennial census and interpolation was affected by means of an average of the indexes of volume and employment. The annual rates were placed at $1,835 in 1920 and $994 in 1930 and the intervening years were estimated according to the index of the Department of Labour.

(d) and (e) Net dividends and interest paid to individuals and external holders of securities were computed by an examination of a sample of the annual income statements of the large concerns engaged in the group. The receipts of corporations in the form of dividends and bond interest were deducted. The dividend payments were considerably increased for the purpose of covering the private interest companies for which no statistics were available.

(f) and (g) The addition of occupational and investment income gives the total income payments to individuals originating in the major group. Deducting these totals from the income originating, the positive or negative savings were obtained. The results were verified in trend by the examination of company accounts.

CHART 1.

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

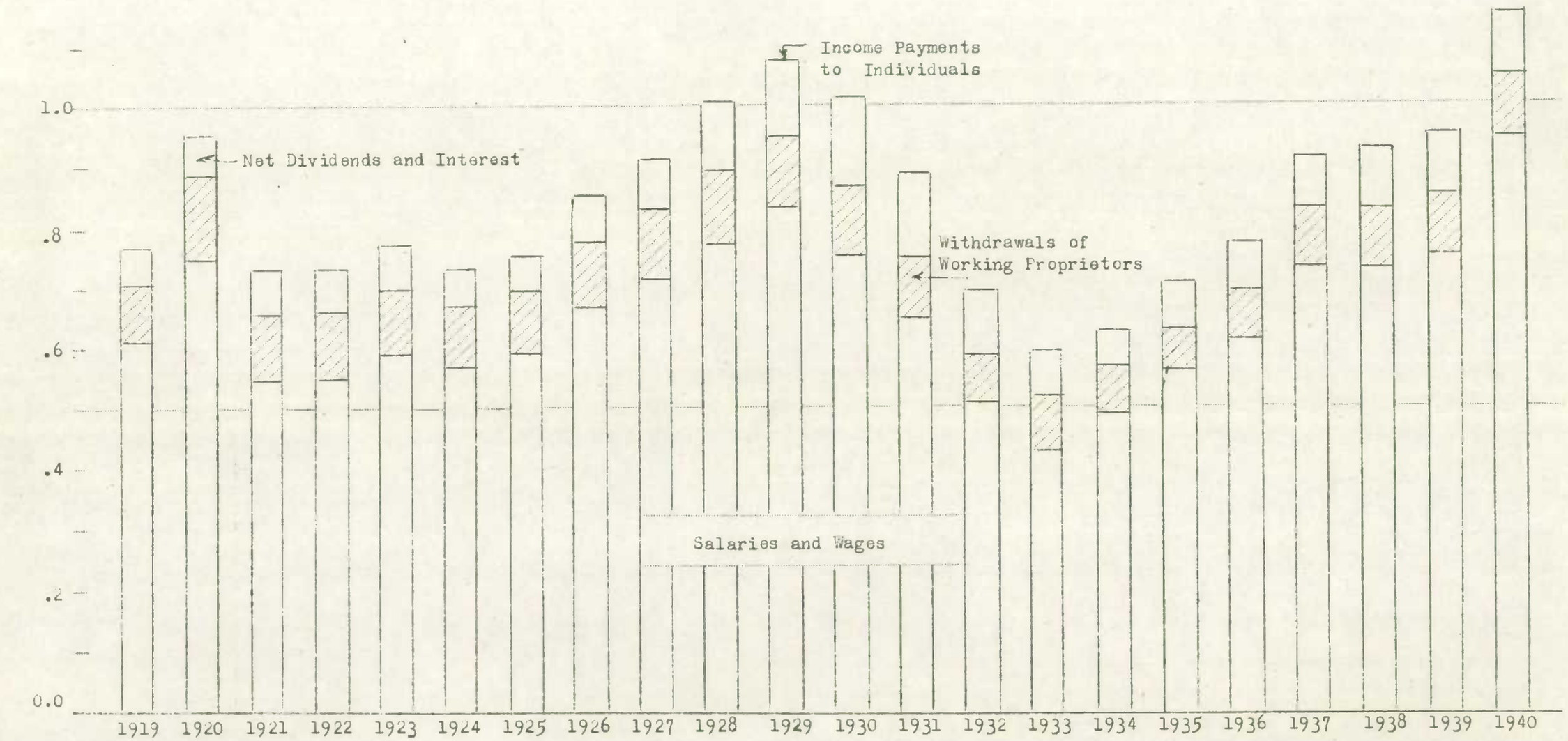


CHART 2.

INCOME ORIGINATING AND PAYMENTS TO INDIVIDUALS

SECONDARY PRODUCTION MINUS PROCESSING, BEFORE DEDUCTION OF INTERNATIONAL BALANCE ON DIVIDENDS AND INTEREST

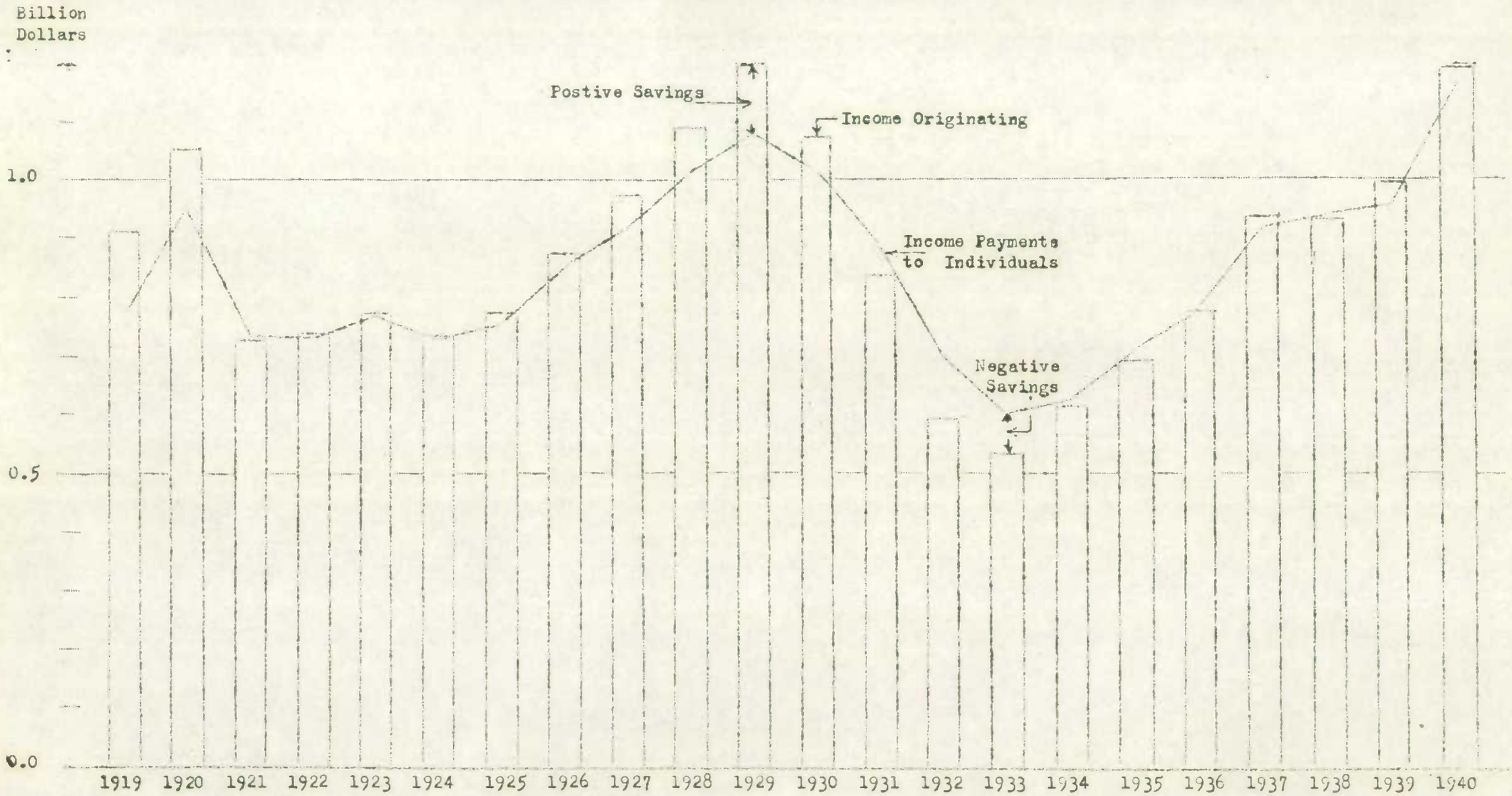


CHART 3.

NUMBER OF PERSONS OCCUPIED
IN
SECONDARY PRODUCTION MINUS PROCESSING
FULL-TIME BASIS