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DOMINION BUREAU OF STATISTICS - OTTAWA
BUSINESS STATISTICS BRANCH

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

Fundamental factors indicating the trend of economic conditions averaged higher in the first eight months of 1943 than in the same period of the preceding year. Productive operations recorded an extension of the advance in evidence since the outbreak of hostilities while some evidence of tapering off was disclosed in recent months. New high levels in Canada's industrial history were recorded during the elapsed portion of the present year.

The index of the physical volume of business based on 5 main components indicating the movement of production and distribution of commodities averaged 233 in the months under review as compared with 198 in the same period of last year, a gain of 17.6 p.c. The advance in the index of manufacturing production was of even greater dimensions. The standing in the first eight months of the present year was 288.5 against 233.6, a gain of 23.5 p.c. having been indicated. Flour production recorded a gain of 24.7 p.c. while the output of creamery butter was 15 p.c. greater. The meat packing industry recorded activity at much the same level as in the first eight months of 1942. Hog slaughterings rose 6.5 p.c., while cattle declined 4.6 p.c. An increase was shown in the output of creamery butter, while factory cheese recorded considerable reduction. The tobacco industry was more active, the release of cigarettes from bond amounted to 7,551 million against 6,332 million, a gain of more than 19 p.c.

The advance in mineral production was about 24 p.c. The index during the first eight months of the present year averaged nearly 280 against 225.7 in the same period last year. Gold receipts at the Mint and coal production showed declines. The output of coal was 11.6 million tons against 12.4 million in the same period last year.

The construction industry was less successful in obtaining new business during the elapsed months of the present year. The total of contracts awarded in the first eight months was \$142 million against nearly \$199 million in the same period of last year. Building permits also showed a marked decline. Contracts awarded during the month of September totalled \$18.6 million, a reduction of \$11 million or 37.5 p.c. from \$29.7 million reported for September of last year. For the 9-month period contracts awarded were \$160.7 million, a decline of 29.7 p.c. from the \$228.5 million reported for the same period of last year. The net effect of having all but absolutely essential construction projects postponed for the duration of the war should be to build up a post-war situation that will assist in absorbing man-power that will result from suspension of the manufacturing of munitions and other war supplies.

Railway traffic was in somewhat greater volume in the first 7 months of the present year than in the same period of 1942. The tons of railway freight carried one mile by the two railways amounted to 31 billion tons against 28.9 billion, a gain of 8.6 p.c. A slight gain was shown in the number of cars loaded in the first eight months. The gross earnings of the Canadian Pacific Railways during the first eight months were \$189.7 million, an increase of \$24.7 million over the same period of 1942. Net earnings after the deduction of expenses were nearly \$29 million compared with \$28.4 million in the same period last year. The gross revenues of the Canadian National Railways in the first seven months of the year were \$221.6 million against \$178.3 million, a gain of no less than 24.3 p.c. The consumption of primary electric power was 23.2 billion kilowatt hours against 21.2 billion in the same months of 1942, a gain of 9.7 p.c.

Internal trade showed further advance in the present year over the high levels of 1942. The index of wholesale and retail sales recorded gains of 7.3 p.c. and 5 p.c. respectively. The average of the wholesale index was 162.3 in the present year, while retail sales on the same 5-year base averaged 149.8.

External trade reflected the heavy production and flow of munitions and war supplies to the widespread battlefields. The export trade rose from \$1,485 million to \$1,890 million, a gain of more than 27 p.c. As imports showed only a moderate increase, the active balance of trade rose sharply from \$371 million to \$750 million.

Due to the scarcity of additional man-power the number of persons employed in productive enterprise showed a relatively moderate gain in the first eight months of the present year over the same period of 1942. The general index of employment rose from 169 to 182 a gain of 7.5 p. c. The gain in manufacturing plants was of greater proportions, the index rising from 200 to 223.8. A gain was shown in the working forces employed in construction while logging, mining and trade were at a lower level.

Wholesale prices have shown an upward climb since the outbreak of hostilities in September 1939. A marked advance was shown until November, 1941 and the increases in subsequent months have been of a more moderate character. The index of wholesale prices on the base of 1926 averaged 98.9 in the first eight months of the present year against 95.2 in 1942, a gain of 3.9 p.c. The index in August last was 100.4 against 95.5 in the same month of last year. The index crossed the par of the base period during July and made a further minor advance in August. The index of the cost of living on the 5-year base averaged 117.9 against 116.4, a gain of 1.3 p.c.

Speculative factors including common stock prices and the number of shares traded on the stock exchanges recorded an advance from August, 1942 to August of the present year without important interruptions. The net result was that the index of common stocks averaged 83.3, more than 20 points higher than in the same period of 1942 a gain of 32.2 p.c. Dominion bond prices were relatively steady in the first eight months of the present year, averaging slightly above the standing for the same period of 1942. The index of bond yields receded from 99.2 to 97.7, a decline of 1.5 p.c. Dominion bonds have shown a relatively steady performance since mid-year 1940 following considerable recovery after the first month of hostilities.

A marked advance was recorded in the deposit liabilities of the chartered banks subsequent to the outbreak of hostilities in September, 1939. The increase has been accentuated during the last two years. The sum of the four accounts was \$3,863 million in the first seven months of the present year against \$3,180 million, a gain of 21.5 p.c. Circulating media in the hands of the public consisting of bank notes and subsidiary coin showed an advance of 34.8 p.c. in the same comparison. Cash and cheque payments were estimated at \$46.5 billion against \$38.8 billion in the early months in 1942, a gain of nearly 20 p.c.

War expenditures recorded a marked increase in the first five months of the present fiscal year, the total was \$1,375 million against \$913 million, a gain of 50.7 p.c. The revenues of the Dominion Government rose 18.8 p.c. to \$1,076 million.

The national income, on a tentative basis, was \$5,845 million during the first eight months of the present year. The amount shows a gain of 20 p.c. over the \$4,869 million recorded for the same period of last year. The total for August was \$744,103,000 against \$749,969,000 in the preceding month. In August, 1942 the standing was \$634,164,000. The index on the base of 1935-39 rose from 186.5 in August last year to 218.9 in the same month of 1943. The expanding demand for war supplies is the main influence in the rise of the national income over the early period of 1942. The advance in the production of munitions, the heavy export trade and the deficit financing of the Dominion Government are regarded as having an accelerating influence.

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

	Unit or Base Period	First Eight Months		Per Cent Increase + Decrease -
		1943	1942	
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	232.9	198.1	+ 17.6
Index of Industrial Production	1935-9=100	268.5	221.6	+ 21.2
Wholesale Prices	1926=100	98.9	95.2	+ 3.9
Cost of Living	1935-9=100	117.9	116.4	+ 1.3
Index of Common Stock Prices	1935-9=100	83.3	63.0	+ 32.2
Index of Bond Yields	1935-9=100	97.7	99.2	- 1.5
Bank debits	\$000	33,893,600	28,775,585	+ 17.8
Production and General Business				
Mineral Production	1935-9=100	279.9	225.7	+ 24.0
Gold Receipts at Mint	Fine Ozs.	2,501,625	3,171,455	- 21.1
Coal Production	Tons	11,645,642	12,423,617	- 6.3
Manufacturing Production	1935-9=100	288.5	233.6	+ 23.5
Flour Production (7 months)	Bbls.	14,104,738	11,315,427	+ 24.7
Cattle Slaughtering	No.	1,040,774	1,091,151	- 4.6
Hog Slaughtering	No.	4,194,768	3,936,959	+ 6.5
Creamery Butter Production	Lbs.	225,616,164	196,042,963	+ 15.1
Factory Cheese Production	Lbs.	105,133,475	143,589,949	- 26.8
Cigarettes released	No.	7,551,162,547	6,331,718,869	+ 19.3
Cigars released	No.	129,582,022	127,429,948	+ 1.7
Leather Boots and Shoes (7 months)	Pairs	17,175,015	16,558,061	+ 3.7
Raw cotton consumption	Lbs.	123,755,507	137,036,649	- 9.7
Paper and Lumber -				
Newsprint Production	Tons	1,965,605	2,152,591	- 8.7
Iron and Steel -				
Steel Ingot Production	Short Ton	1,998,529	2,067,169	- 3.3
Pig Iron Production	Short Ton	1,184,064	1,308,731	- 9.5
Coke Production	Short Ton	2,190,664	2,183,008	+ 0.4
Construction -				
Contracts awarded	\$	142,159,000	198,811,800	- 28.5
Building Permits (58 Municipalities)	\$	39,595,719	50,963,693	- 22.3
Consumption of Firm Power	000 K.W.H.	23,225,018	21,165,083	+ 9.7
Internal Trade -				
Wholesale Sales (7 months)	1935-9=100	162.3	151.2	+ 7.3
Retail Sales (7 months)	1935-9=100	149.8	142.7	+ 5.0
External Trade -				
Exports	\$000	1,889,733	1,484,782	+ 27.3
Imports	\$000	1,139,703	1,113,933	+ 2.3
Active Balance of Trade	\$000	+ 750,030	+ 370,849	+102.3
Railways - Tons carried 1 mile -	000,000 tons			
(7 months) 2 Rlys.		31,332	28,860	+ 8.6
Carloadings	No.	2,228,320	2,210,686	+ 0.8
Gross Revenue C.N.R. (Canadian Lines)				
(7 months)	\$	221,620,100	178,331,000	+ 24.3
Gross Revenue C.P.R. (7 months)	\$	164,096,472	144,013,000	+ 13.9
Employment - Unadjusted (8 months' average)				
General Index	1926=100	182.0	169.3	+ 7.5
Manufacturing		223.8	200.4	+ 11.7
Logging		183.5	204.0	- 10.0
Mining		159.5	174.9	- 8.8
Construction		127.4	120.2	+ 6.0
Building		169.0	142.6	+ 18.5
Highway		120.9	132.3	- 8.6
Trade		152.6	155.8	- 2.1
Banking - (7 months' average)				
Deposits, Four Classes	\$000	3,862,743	3,179,600	+ 21.5
Current Loans	\$000	1,041,483	1,094,011	- 4.8
Circulating Media	\$000,000	718.4	533.0	+ 34.8
Cash and Cheque Payments (8 months' Total)	\$000,000	46,536	38,818	+ 19.9
Government Finance - April to August				
Total Revenues	\$	1,076,378,053	906,422,900	+ 18.8
Ordinary Expenditures	\$	221,987,692	204,696,873	+ 8.4
War Expenditures	\$	1,375,195,503	912,643,977	+ 50.7
United Kingdom War Financing (1942) and United Nations Mutual Aid (1943)	\$	192,300,000	572,500,000	-
National Income (Tentative Computation)	\$000,000	5,845	4,869	+ 20.0

Of sixteen items recorded declines, while thirty-six showed increases.

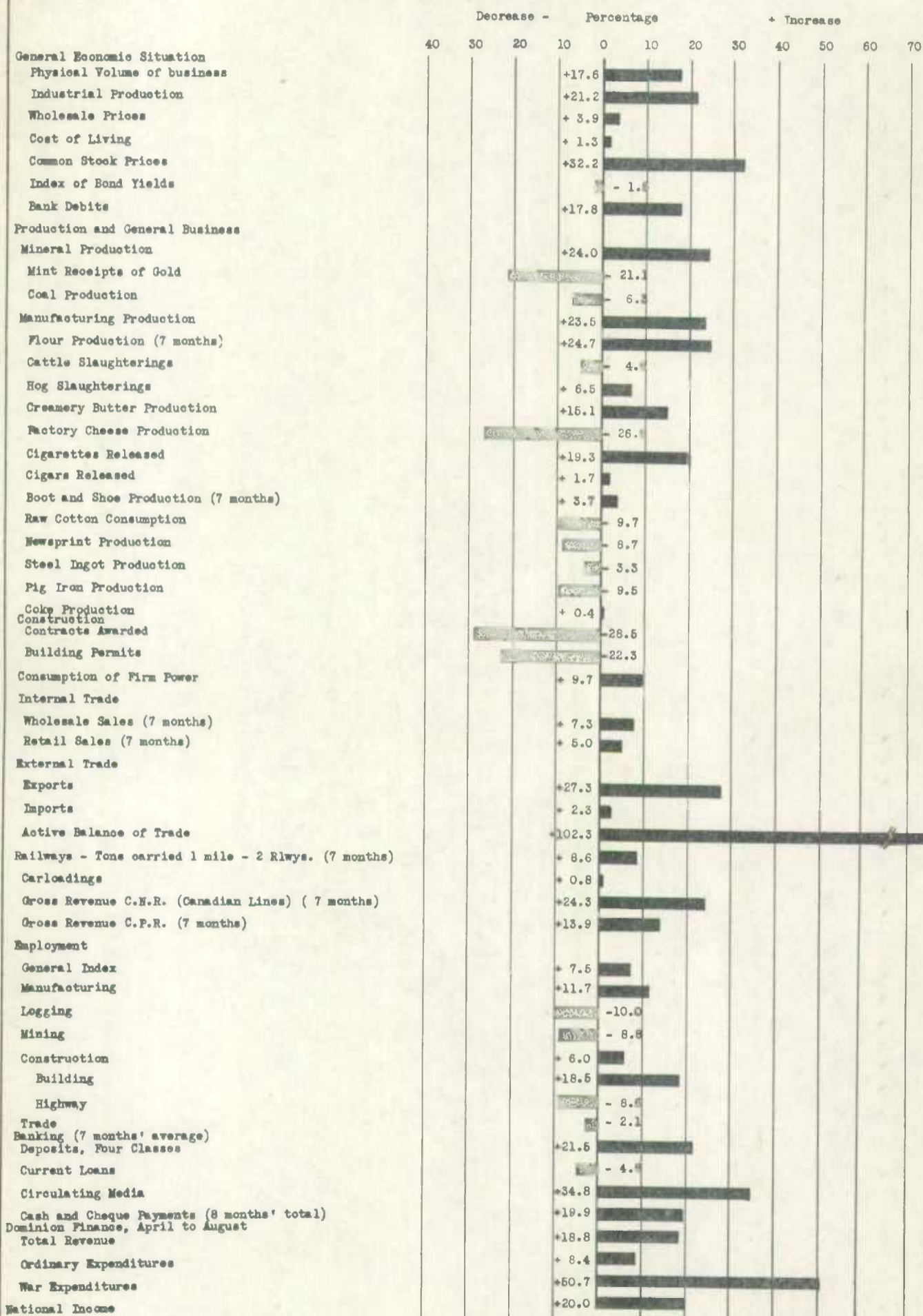
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THE ECONOMIC SITUATION IN CANADA

for the first eight months of 1943

as compared with the same period of last year



Dominion Bureau of Statistics

Sixteen items recorded declines, while thirty-six showed increases.

TABLE II. - OPERATING ACCOUNTS OF TRANSPORTATION AND COMMUNICATION

\$000

Year	Income Originating	Salaries and Wages	Other Labour Income	Pensions	Withdrawals	Net Dividends	Net Interest	Payments to Individuals	Positive or Negative Savings
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1919	391,423	328,302	2,583	742	18,219	35,914	49,967	435,728	- 44,305
1920	443,868	405,950	2,748	787	18,225	36,664	50,733	515,107	- 71,239
1921	407,800	353,097	2,823	870	18,208	35,336	59,865	470,199	- 62,399
1922	421,799	340,007	2,486	1,007	18,516	34,839	61,871	458,726	- 36,927
1923	450,764	354,212	3,068	1,217	18,328	35,564	63,612	476,001	- 25,237
1924	433,994	340,618	3,132	1,308	18,371	36,649	68,471	468,549	- 34,555
1925	458,106	339,796	2,597	1,647	18,603	36,041	70,730	469,414	- 11,308
1926	504,683	365,349	2,582	2,205	18,895	35,319	70,260	494,610	+ 10,073
1927	515,752	382,891	2,824	2,385	19,202	35,937	73,365	516,504	- 852
1928	567,026	405,956	3,300	2,381	19,547	39,668	74,760	545,612	+ 21,414
1929	562,930	418,931	3,575	2,585	19,633	41,980	78,741	565,445	- 2,515
1930	499,934	393,839	3,253	3,275	19,384	45,638	85,883	551,272	- 51,338
1931	392,544	340,269	2,568	3,782	18,827	33,447	91,725	490,688	- 98,144
1932	317,900	276,386	2,343	4,377	17,788	11,992	93,003	405,889	- 87,989
1933	284,756	244,301	2,010	4,675	16,843	6,889	91,903	366,621	- 81,865
1934	313,248	251,561	2,033	5,250	16,149	6,809	92,492	374,294	- 61,046
1935	324,948	265,553	2,204	5,673	15,986	5,806	90,101	385,323	- 60,375
1936	351,954	282,841	2,311	6,348	16,057	4,685	84,475	396,717	- 44,763
1937	382,492	303,457	2,528	6,610	16,076	6,397	85,566	420,634	- 38,142
1938	368,247	313,778	2,436	7,087	16,102	8,693	87,251	435,347	- 67,100
1939	405,681	317,821	2,138	7,645	16,271	7,112	86,007	436,994	- 31,313
1940	466,374	339,494	2,532	8,714	15,975	13,078	85,743	465,536	+ 838

OPERATING ACCOUNTS OF THE TRANSPORTATION-COMMUNICATION GROUP

Notes to Table II.

The group embraces activities connected with the movement of goods and passengers and with communication by wire and radio. The electric light and power industry, also regarded as a public utility, is here treated as a component of the primary production group.

Annual reports of the Bureau supply considerable information regarding the following industries in the transportation-communication group: Steam and electric railways, civil aviation, express, telegraphs, and telephones. As the railway companies also operate hotels, express and telegraph services, it is necessary to separate the records of these subsidiary activities, avoiding duplication with other groups. Water and road transport, warehousing and storage are also regarded as industries in the main group, the operating accounts being estimated on the basis of occupational data, furnished by the decennial census and other relevant information.

The income originating in the group averaged \$421 million per year during the period from 1919 to 1940, constituting less than 10 p.c. of the grand total for the seven groups in the national economy.

Notwithstanding the marked reaction in the 'thirties, steam railways contributed more than 61 p.c. of the income originating in the main group under review. Telephones, electric railways, water transport and road transport were roughly of equal importance as originators of income, the contribution of each having been between eight and nine per cent.

The trend of income originating was downward during the period from 1919 to 1940, mainly due to the marked reduction in the movement of freight and passengers by common carriers during the last half of the period. Income originating reached a peak in 1928 and then receded to a low point in 1933. The subsequent recovery has been practically continuous from year to year. The amplitude of the fluctuation in the income originating during the 22-year period was somewhat greater than that of the National Income as a whole.

(a) The income originating was obtained by adding the payments to individuals and the positive or negative savings.

(b) Salaries and Wages: The remuneration of employees was computed for each of the nine industries. The total for steam railways was compiled from the annual reports of the Bureau deducting payments of the express, telegraph and hotel departments. Contributions to pension funds in recent years were also deducted. The salaries and wages as reported in Bureau annual reports on electric railways were taken directly. The totals for water and road transport and storage were computed by the use of decennial census statistics. Number and rates for water transport were established for 1921 and 1931 and interpolation effected by means of index numbers of employment in "shipping and stevedoring" and rates of wages paid in the "steamships" group as reported by the Department of Labour. Subsistence allowances are included with the salaries and wages paid by the industry. The numbers and rates for the road transport group were established for 1931 from census reports. Extrapolation was made by a special index of the numbers employed by 50 companies operating trucks and taxis, and an index of rates based on data published by the Labour department. Salaries and wages paid by civil aviation and storage were computed by means of decennial census data and interpolation. Express, telegraph and telephone salary-wage statistics are available through the annual census of the Bureau.

(c) Other Labour Income: Compensation for injuries was compiled in connection with the steam and electric railways and telephones. The three industries are excluded from the operations of the Workmen's Compensation Boards.

(*) Withdrawals of Working Proprietors. The rate of withdrawals by working proprietors was estimated for the road transport industry in 1931 by taking an average of the results obtained by the median age, conventional and managers' remuneration methods. The age of working proprietors averages somewhat greater than that of employees in the same industry, and the employee rate is in most circumstances greater in the higher age brackets. The conventional method consists in placing the remuneration rate of "own accounts" at the same as the average wage rate and that of employers at 50 per cent more. Four methods were used in establishing the rate of 1931 for working proprietors of the road transport industry. American experience was used as an additional factor. Having estimated the withdrawal rate for 1931, the other years were

obtained by extrapolation. The numbers were taken from the industrial section of the decennial census for 1921 and 1931, and extended by means of index numbers. Withdrawals were also computed in a similar manner for civil aviation and storage.

(d, f, g) Investment Income: Pensions, net dividends and interest constitute the investment income of the group. The three classes of investment return were computed for telephones, steam and electric railways, while net dividends and interest were shown for water transport and storage. Pensions are reported in annual census bulletins on railways, while the payments of principal companies and the systems of provincial governments of the Prairie Provinces were added in connection with the operating accounts of the telephone industry.

Dividends and interest are shown in net form, that is, after the deduction of the receipts of companies in the group due to the holdings of stocks, bonds and debentures. Statistics were obtained from annual returns to the Bureau and from the examination of the periodical reports of the principal companies. In compiling the interest payments of the steam railways there was deducted the interest accruing on loans and advances of the Dominion government included in the interest on the funded debt of the Canadian National Railways from 1919 to 1936.

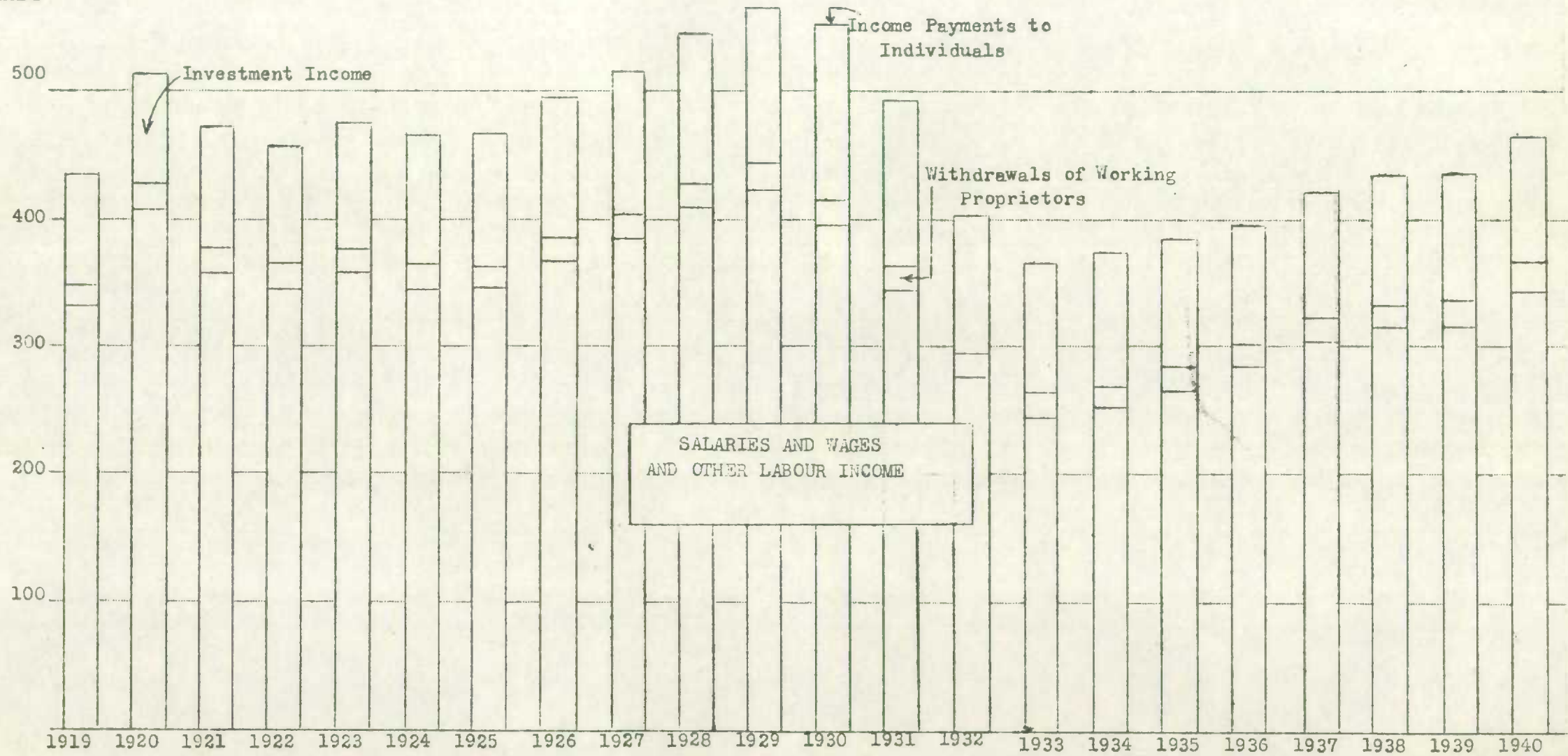
(h) Payments to Individuals are obtained by the summation of Columns (b) to (g).

(i) The positive or negative savings are compiled from an examination of company accounts and the annual reports of the Bureau. Extensive adjustments were made in computing the undistributed profits of the steam railways, the method adopted in estimating the depreciation which should have been allowed by the two major railway systems having been to apply a straight-line depreciation of 3 p.c. (with 10 p.c. allowance for salvage value) to the investment value of equipment from 1919 to 1939 inclusive.

Undistributed profits of electric railways were obtained by deducting dividends paid and depreciation based on a straight line formula of 2 per cent on the value of road and equipment, from the net income as given in the Bureau report on electric railways. Savings were also computed for the civil aviation, storage, express, telegraph and telephone companies.

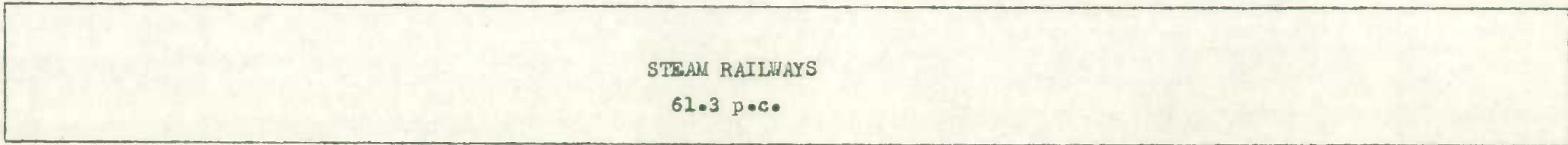
1. INCOME PAYMENTS TO INDIVIDUALS
TRANSPORTATION AND COMMUNICATION
BEFORE DEDUCTION OF INTERNATIONAL BALANCE ON DIVIDENDS AND INTEREST

Million
Dollars

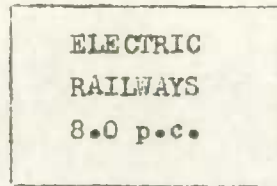


2. RELATIVE IMPORTANCE OF NINE INDUSTRIES OF THE TRANSPORTATION AND COMMUNICATION GROUP

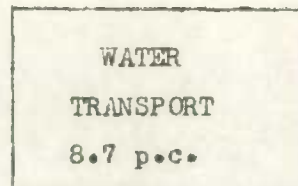
ANNUAL AVERAGE INCOME ORIGINATING, 1919-1940.



\$ 258,189,000



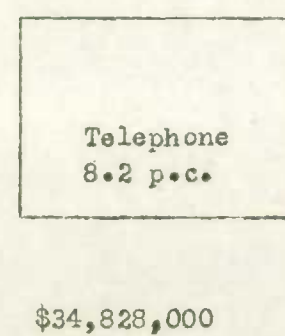
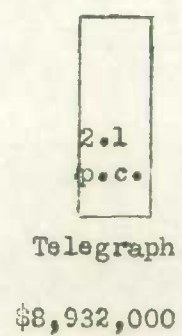
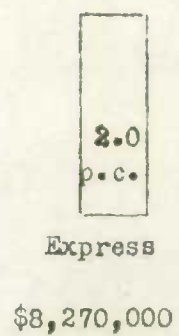
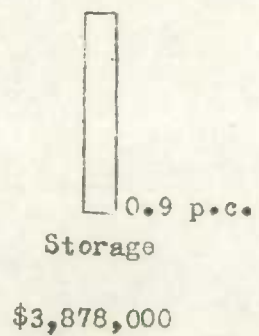
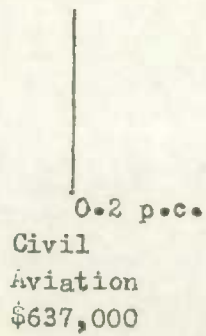
\$ 33,568,000



\$ 36,716,000

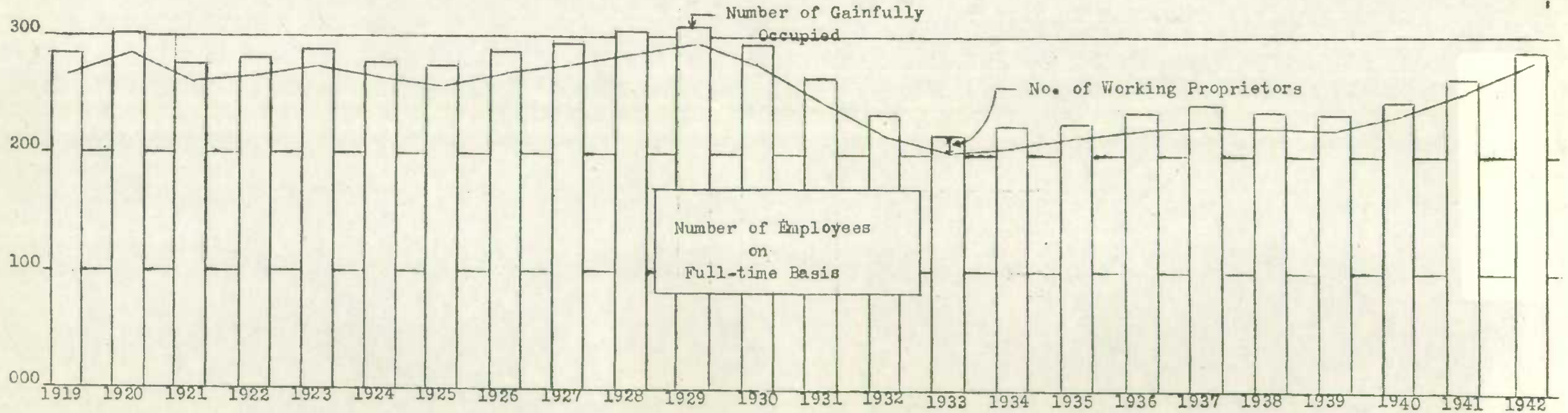


\$ 36,223,000



3. NUMBER OF PERSONS OCCUPIED
IN
TRANSPORTATION AND COMMUNICATION
ON FULL-TIME BASIS

Thousand
Persons

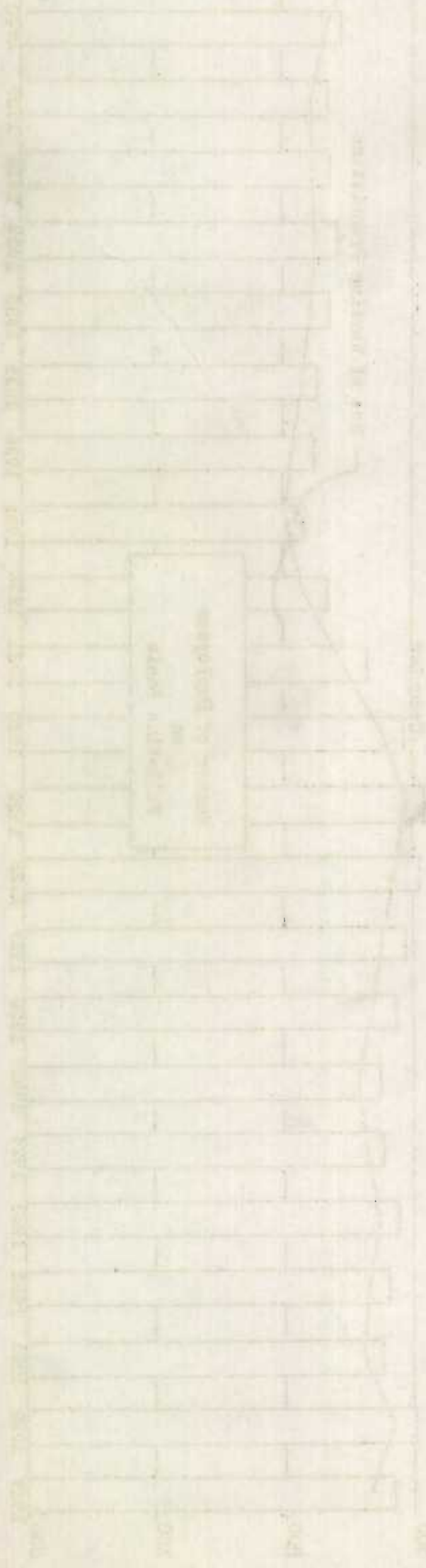


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