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

The main economic factors recorded advances in the first nine months of the present year over the same period of 1942. An average of six major factors was higher in the nine months than in any similar period in Canadian history. The extraordinary advances in business operations, wholesale prices and bank deposits in progress since the outbreak of hostilities were continued in the period under review. The index of the physical volume of business based on the period from 1935 to 1939 averaged 233.3 against 199 in the same period of last year. The increase of more than 17 per cent reflects the influence of the marked expansion in war production. While a tendency toward tapering off has been displayed in recent months, the level of productive activity has been greater during the present year than at any time in our industrial history.

Wholesale prices recorded a marked gain in the last quarter of 1939 following the outbreak of hostilities. A sharp advance was displayed until the latter part of 1941 when the upward movement was checked by more efficient control. The net result was that the index of wholesale prices on the base of 1926 has recently been at a higher level than in the base period. The marked decline in wholesale prices from the latter part of 1929 to the first quarter of 1933 has been more than counterbalanced. The re-establishment of parity with the base period is a most significant development with a bearing on the successful operation of business enterprise. The index of wholesale prices averaged 99.2 in the first nine months against 95.3 in the same period of last year, a gain of more than 4 per cent.

The deposit liabilities of the chartered banks reached a higher level in the elapsed portion of 1943 than at any other time. A persistent though moderate increase had been shown from the first quarter of 1933 to the third quarter of 1939. Upon the outbreak of war, bank deposits rose sharply and a marked upward trend has been maintained with only minor interruptions. The sum of the four main classes of deposits averaged \$5.9 billion on the first 8 reporting dates compared with \$3.2 billion in the same period of 1942, a gain of no less than 21.3 per cent. The high point in history was reached at the beginning of June and some tendency toward tapering off has been in evidence since that time. Considerable gains were recently shown in notice and demand deposits, preparatory to the making of heavy payments on the 5th Victory Loan offered during the three weeks commencing October 18th.

While the advance in business operations was quickened in the later months of 1939, the pace was greatly accelerated about mid-year of 1940. The subsequent advance has been of unprecedented dimensions. The index of industrial production indicating the trend of mining, manufacturing, construction and electric power recorded a gain of 21 per cent to nearly 270 in the first nine months of 1943. The index of mineral production based on 15 factors including the use of bauxite in the production of aluminium was 284.6, a gain of 26 per cent over the first nine months of 1942.

The increase in the index of manufacturing production was nearly 23 per cent, the standing in the first nine months of the present year having been nearly 290. The consumption of electric power indicating the trend in operations of the electric power industry rose about 10 per cent, the total having been 26.3 billion kilowatt-hours against 23.9 billion in the same period of last year.

Decline was shown in the new business obtained by the construction industry. Contracts awarded at \$161 million was 29.7 per cent less than in the first nine months of 1942. The decline in building permits in 58 municipalities was 23 per cent. The gain in a number of manufacturing industries was indicated by advances in flour production, the output of creamery butter and the release of cigarettes. The output of wheat flour was nearly 61 million barrels in the first eight months, a gain of 21.8 per cent. Creamery butter production was 258.4 million pounds against 227.6 million a gain of 13.6 per cent. The release of cigarettes was more than 17 per cent greater at 8,475 million. A minor gain was shown in cigar releases at 146 million. Declines were recorded in some industries affected by the shortage of manpower and raw materials.

Raw cotton consumption was more than 9 per cent less at 138.8 million pounds. Newsprint production receded from 2.4 million tons to 2.2 million a decline of 8 per cent. Minor recessions were shown in steel and iron production from the high levels of 1942.

The transportation of commodities showed a continuance of expansion in the first eight months of the present year. The tons carried one mile by the two main railways amounted to 36,353 million, a gain of 10.3 per cent. Increases of 23.2 per cent and 14.9 per cent were shown in the gross revenues of the C.N.R. on Canadian lines and by the C.P.R., respectively. An index of wholesale sales rose more than 7 per cent to 162.8, while the index of retail sales rose nearly 4 per cent at 148.9. The striking development in external trade was a gain of more than 26 per cent in exports. The total was \$2,137 million against \$1,692 million in the same period of 1942. As the imports recorded a gain of 3 per cent only at \$1,277 million a marked increase was recorded in the active balance of trade. The trend rose from \$452 million to \$816 million during the period under review, a gain of no less than 90 per cent.

Coincidental with the industrial expansion, employment was in greater volume during the first nine months. The index on the base of 1926 was 182.5 against 170.4, a gain of more than 7 per cent. Gains were recorded in manufacturing and construction while recessions were shown in logging and mining. The index of employment exhibits a tendency toward levelling off in recent months, indicating that the phase of full employment has been practically reached.

The estimate of national income was \$745 million in September against \$732 million in the preceding month. The standing in September last year was \$646 million. The total for the first nine months was \$6,579 million against \$5,515 million in the same period of 1942. The increase in this comparison consequently was 19.3 per cent. The advance in the national income has continued sharply since the outbreak of hostilities. The increasing concentration upon war production was the main influence in the higher levels of the elapsed portion of the present year.

A large amount, contributed to the war effort in the form of taxation and the purchase of bonds and war savings certificates, was diverted from the national income and to that extent prevented competition with wartime industries in the purchase of materials in the open market. It should be observed that even in the face of this large deduction there was still a marked gain in purchasing power in the hands of the public compared with prewar years. The remainder of the national income is more evenly distributed over the entire population.

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

	Unit or Base Period	First Nine Months		Per Cent Increase + Decrease -
		1943	1942	
General Economic Situation				
Index of Physical Volume of Business	1935-9=100	233.3	198.9	+ 17.3
Index of Industrial Production	1935-9=100	269.9	223.1	+ 21.0
Wholesale Prices	1926=100	99.2	95.3	+ 4.1
Cost of Living	1935-9=100	118.1	116.5	+ 1.4
Index of Common Stock Prices	1935-9=100	84.0	62.9	+ 33.5
Index of Bond Yields	1935-9=100	97.6	99.3	- 1.7
Bank debits	\$000	38,378,604	32,291,693	+ 18.8
Production and General Business				
Mineral Production	" 1935-9=100	284.6	225.7	+ 26.1
Gold Receipts at Mint	Fine Ozs.	2,788,396	3,554,335	- 21.5
Coal Production	Tons	13,086,912	13,886,804	- 5.8
Manufacturing Production	" 1935-9=100	289.7	235.8	+ 22.9
Flour Production (8 months)	" Bbls.	15,992,768	13,135,626	+ 21.8
Cattle Slaughtering	No.	1,189,477	1,196,710	- 0.6
Hog Slaughtering	No.	4,670,596	4,341,936	+ 7.6
Creamery Butter Production	Lbs.	258,446,645	227,598,743	+ 13.6
Factory Cheese Production	Lbs.	128,538,166	168,922,246	- 23.9
Cigarettes released	No.	8,474,882,918	7,221,827,951	+ 17.4
Cigars released	No.	146,054,128	144,784,531	+ 0.9
Leather Boots and Shoes (8 months)	Pairs	19,492,731	18,788,567	+ 3.7
Raw cotton consumption	Lbs.	138,765,250	152,861,522	- 9.2
Paper and Lumber -				
Newsprint Production	Tons	2,217,432	2,410,209	- 8.0
Iron and Steel -				
Steel Ingot Production	Short Ton	2,237,736	2,312,091	- 3.2
Pig Iron Production	Short Ton	1,331,966	1,464,631	- 9.1
Coke Production	Short Ton	2,516,941	2,452,356	+ 2.6
Construction -				
Contracts awarded	\$	160,729,600	228,486,900	- 29.7
Building Permits (58 Municipalities)	\$	45,035,923	58,587,871	- 23.1
Consumption of Firm Power	000 K.W.H.	26,287,277	23,900,991	+ 10.0
Internal Trade -				
Wholesale Sales (8 months)	1935-9=100	162.8	152.0	+ 7.1
Retail Sales (8 months)	1935-9=100	148.9	143.3	+ 3.9
External Trade -				
Exports	\$000	2,137,102	1,692,297	+ 26.3
Imports	\$000	1,276,974	1,240,277	+ 3.0
Active Balance of Trade	\$000	+ 860,128	+ 452,020	+ 90.3
Railways - Tons carried 1 mile	- 000,000 tons			
(8 months) 2 Rlys.		36,353	32,945	+ 10.3
Carloadings	No.	2,531,730	2,500,563	+ 1.2
Gross Revenue C.N.R. (Canadian Lines)				
(8 months)	\$	257,336,700	208,894,000	+ 23.2
Gross Revenue C.P.R. (8 months)	\$	191,134,249	166,317,000	+ 14.9
Employment - Unadjusted (9 months' average)				
General Index	1926=100	182.5	170.4	+ 7.1
Manufacturing		223.7	202.1	+ 10.7
Logging		177.4	197.7	- 10.3
Mining		159.4	174.0	- 8.4
Construction		128.6	123.1	+ 4.5
Building		167.3	145.4	+ 15.1
Highway		125.9	136.8	- 8.0
Trade		152.5	155.4	- 1.9
Banking - (8 months' average)				
Deposits, Four Classes	\$000	3,877,111	3,196,033	+ 21.3
Current Loans	\$000	1,044,165	1,080,802	- 3.4
Circulating Media	\$000,000	725.6	541.1	+ 34.1
Cash and Cheque Payments (9 months' Total)	\$000,000	52,740	43,627	+ 20.9
Dominion Finance - April to September				
Total Revenues	\$	1,292,546,904	1,068,876,522	+ 20.9
Ordinary Expenditures	\$	276,763,569	254,169,152	+ 8.9
War Expenditures	\$	1,624,458,053	1,045,748,414	+ 55.3
United Kingdom War Financing (1942) and United Nations Mutual Aid (1943)	\$	272,974,072	708,928,634	-
National Income (Tentative Computation)	\$000,000	6,579	5,515	+ 19.3

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

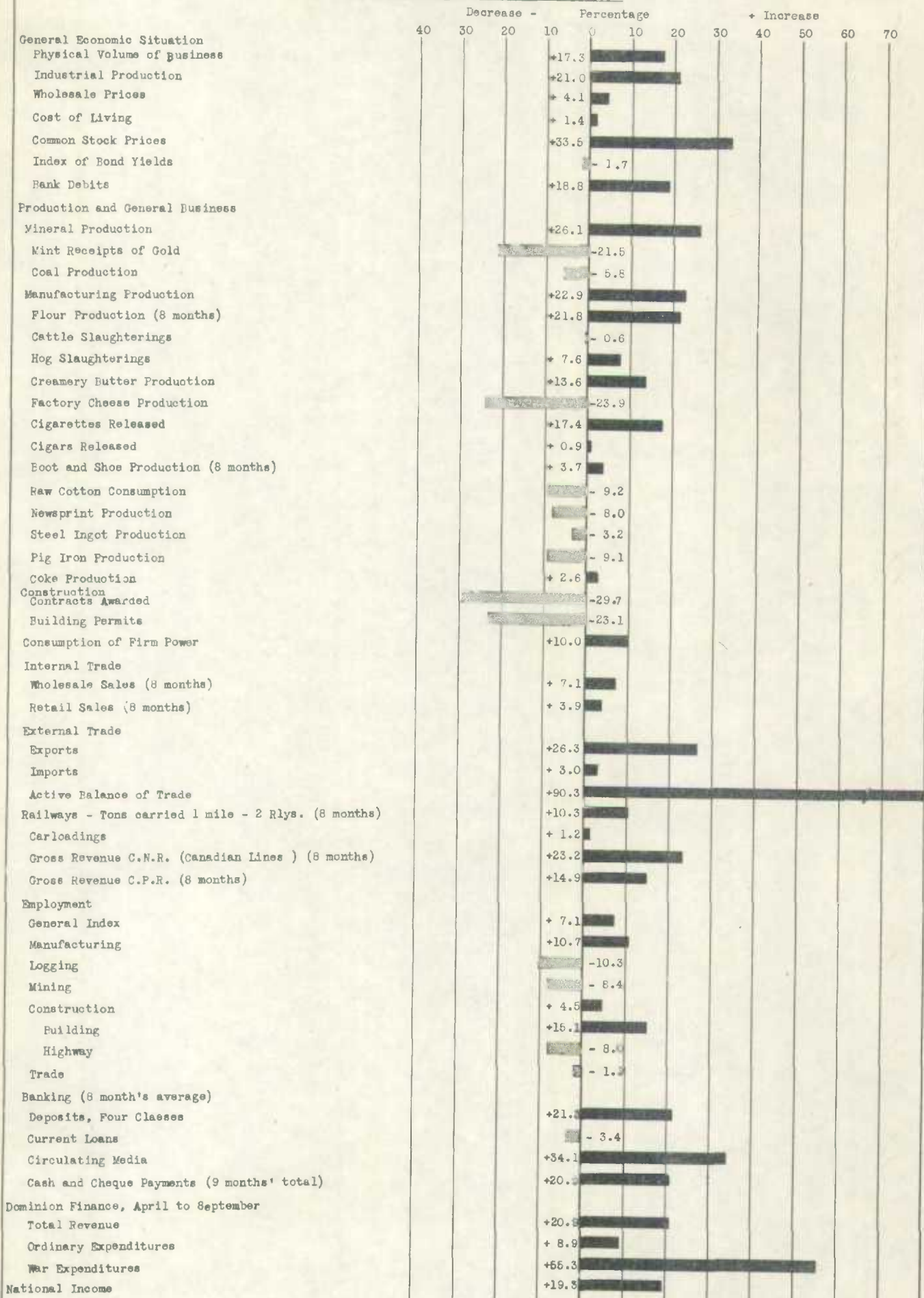
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Minister of Trade and Commerce

THE ECONOMIC SITUATION IN CANADA

for the first nine months of 1943

as compared with the same period of last year



Dominion Bureau of Statistics

Sixteen items recorded decline, while thirty-six showed increase.

TABLE II - INCOME ORIGINATING IN WHOLESALE AND RETAIL TRADE

1919 - 1940

\$000

Year	Income Originating	Salaries and Wages	Withdrawals	Net Dividends	Net Interest	Payments to Individuals	Positive or Negative Savings
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1919	492,496	285,148	177,977	17,400	1,270	481,795	+ 10,701
1920	579,478	346,822	188,884	18,884	1,450	556,040	+ 23,438
1921	479,428	317,969	159,479	20,394	1,392	499,234	- 19,806
1922	470,704	299,547	153,142	18,732	1,359	472,780	- 2,076
1923	490,253	313,810	144,661	20,038	1,352	479,861	+ 10,392
1924	479,878	319,309	138,193	24,559	1,540	483,601	- 3,723
1925	529,880	331,318	134,908	37,645	2,344	506,215	+ 23,665
1926	589,520	356,044	132,951	49,422	2,421	540,838	+ 48,682
1927	607,785	386,309	144,093	50,564	2,472	583,438	+ 24,347
1928	655,811	421,816	157,126	55,936	2,626	637,504	+ 18,307
1929	673,849	437,950	163,474	59,259	2,825	663,508	+ 10,341
1930	575,040	377,596	142,678	64,614	2,796	587,684	- 12,644
1931	479,032	330,414	126,772	56,924	2,563	516,673	- 37,641
1932	379,008	276,877	107,063	43,288	2,311	429,539	- 50,531
1933	366,186	258,574	99,193	35,187	2,063	395,017	- 28,831
1934	414,593	268,646	103,071	43,640	2,266	417,623	- 3,030
1935	442,192	291,371	111,975	51,806	1,827	456,979	- 14,787
1936	481,888	311,833	119,840	55,213	1,784	488,670	- 6,782
1937	538,426	335,949	129,205	58,363	1,553	525,070	+ 13,356
1938	540,767	345,388	131,926	63,537	1,328	542,179	- 1,412
1939	547,456	356,055	135,468	56,450	1,174	549,147	- 1,691
1940	584,087	392,479	149,110	43,829	1,281	586,699	- 2,612

OPERATING ACCOUNTS OF WHOLESALE AND RETAIL TRADE 1919-1940

Notes to Table II.

The activities connected with the distribution of commodities through wholesale and retail outlets constitute an important segment of the Canadian economy. The method of distribution has been greatly altered in the last quarter of a century. The system is being continually modified and adapted to meet the changes in production and in the demands of consumers. In addition to buying and selling, the trading companies are responsible for other functions including the assembling, transportation and warehousing of commodities, as well as a certain amount of the financing of finished goods.

The income originating in trade was about 12 per cent of the entire national income during the period from 1919 to 1940. The proportion was 12.2 per cent in the first half of the period and 11.8 per cent in the last half. The average contribution to Canada's income was about \$518 million per year. Trade income for the 22-year period reached the highest point in 1939 at \$673.8 million, while the lowest level, reached in 1933, was \$366 million. Due for the most part to deflated prices during the early thirties, the trend of the industry in the 22 years was slightly downward. The fluctuation in the income originating was moderately greater than in the majority of economic factors.

A difficulty arises in fixing the limits of retail trade. The selling of commodities is closely connected with other activities, notably manufacturing and service merchandising. Restaurants, for example, may more logically be included with personal service under the heading of hotels and restaurants. It seems advisable to incorporate such functions as custom and personal services under the heading of service rather than with trade. The total amount received for such services was reported, on page 70 of Census Volume X, 1930, as being \$46.8 million.

Wholesaling proper constitutes the connecting link between producers and retailers. Bulk wholesaling may be subdivided into a number of classes based on the functions performed and the nature of the trade served including tank stations, district and general sales offices, manufacturers sales branches and agents and brokers, etc.

(a) Income originating: The income originating in trade was obtained by deducting the cost of purchased goods, general expenses and depreciation charges from net sales. Sales of wholesalers were \$3,325 million in 1930 and extrapolation in previous years was effected by means of a stringer based on the product of indexes of output and prices of consumers' goods. The composite was also used in extending the total, year by year, from 1931 to 1935. Since that year the sample index computed by the Internal Trade Branch was used for the same purpose. The gross margin for the industry was placed at 10.95 per cent in 1930. American experience was useful in establishing the gross margin during the period from 1919 to 1929. The gross margin applied to net sales results in the "value added". The difference between the two accounts was taken as the amount expended for replenishment of stock. The general expense ratio in 1930 given as 4.88 per cent was extended for other years according to the trend of the gross margin. Depreciation was estimated as a percentage of fixed capital. The latter was taken as 4.59 per cent of net sales while the depreciation rate, based on American experience, was 7.2 per cent.

The net sales of retail trade from 1923 to 1933 were given on page 8 of "A Decade of Retail Trade 1923-1933". The totals for more recent years were based on monthly returns received by the Internal Trade Branch from a considerable sample of different kinds of stores. The net sales were extended backward from 1922 to 1919 by American experience. The total for 1930 was reduced by the amount of receipts by restaurants and by the service activities listed on page 70 of Census Volume X, 1930.

The gross margin, being the difference between the cost of incoming merchandise and the actual amount realized when the same merchandise is sold, is generally expressed as a percentage of net sales. The series, constructed by an examination of Canadian and American experience, varied from a low point of 23.60 in 1920, to a high

point of 26.95 in 1933. The amount of purchases and general expenses were obtained by means of the appropriate series of percentages. The fixed capital was placed at about 27.4 per cent of net sales and the depreciation rate ranged from 5.6 per cent in 1925 to 7.6 per cent in 1929.

(b) and (c) Occupational Income: The remuneration of employees and working proprietors from 1926 to the present were prepared by the Internal Trade Branch from census and monthly returns filed by the companies in the group. Deductions were made from the retail trade results due to the transfer of restaurants and personal and custom services to the major group of service. Remuneration to the two classes of income recipients were projected backward, covering the period from 1919 to 1925 by means of index numbers of numbers and rates.

From the industrial section of the census proper, considerable information was obtained as to the numbers of employees and working proprietors and the rates of remuneration. The index of employment in trade maintained by the Employment Statistics Branch since 1921, is also of considerable utility in appraising the trend of employment.

(d) to (g) Investment Income, etc.: Net dividends and interest were computed by an examination of the profit and loss statements of public interest companies. By the summation of the occupational income and the net dividends and interest, we obtain the national income payments to individuals. Deducting such payments from the income originating in the group, the remainder is regarded as the positive or negative savings.

Upon the receipt of complete information from the census of trading establishments and from the special enquiry regarding dividends, interest and additions to surplus further revision of the operating accounts will be undertaken. Changes will be made as new data become available and better analytical methods are devised.

Chart 1.

INCOME PAYMENTS TO INDIVIDUALS
IN TRADE
BEFORE DEDUCTION OF INTERNATIONAL BALANCE ON DIVIDENDS AND INTEREST

Million
Dollars

600

500

400

300

200

100

000

Income Payments
to Individuals

Investment Income

Withdrawals of Working Proprietors

Salaries and Wages

1934

1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940

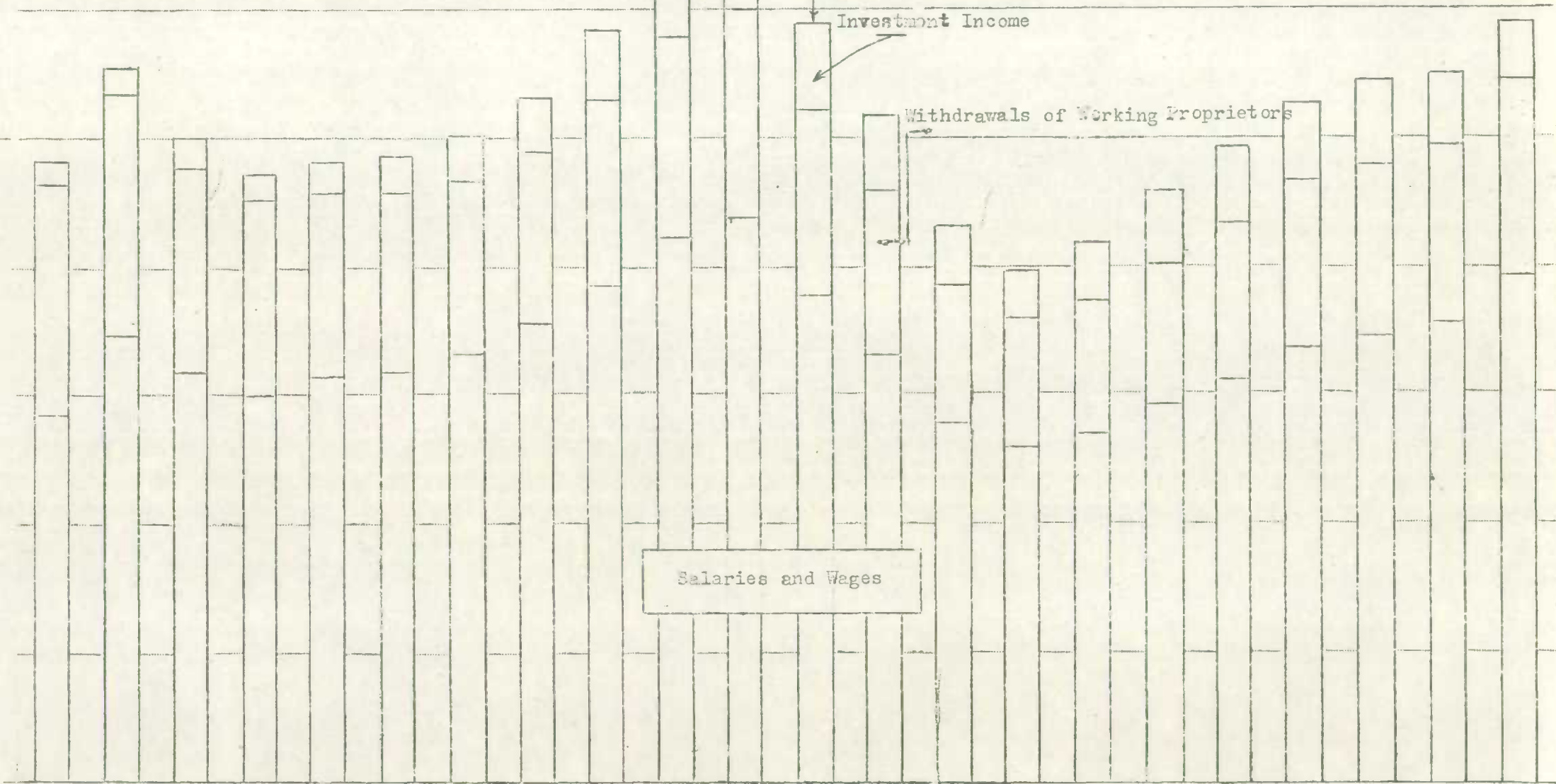


Chart 2.

INCOME ORIGINATING AND PAYMENTS TO INDIVIDUALS
IN TRADE - BEFORE DEDUCTION OF INTERNATIONAL BALANCE ON DIVIDENDS AND INTEREST

Million
Dollars

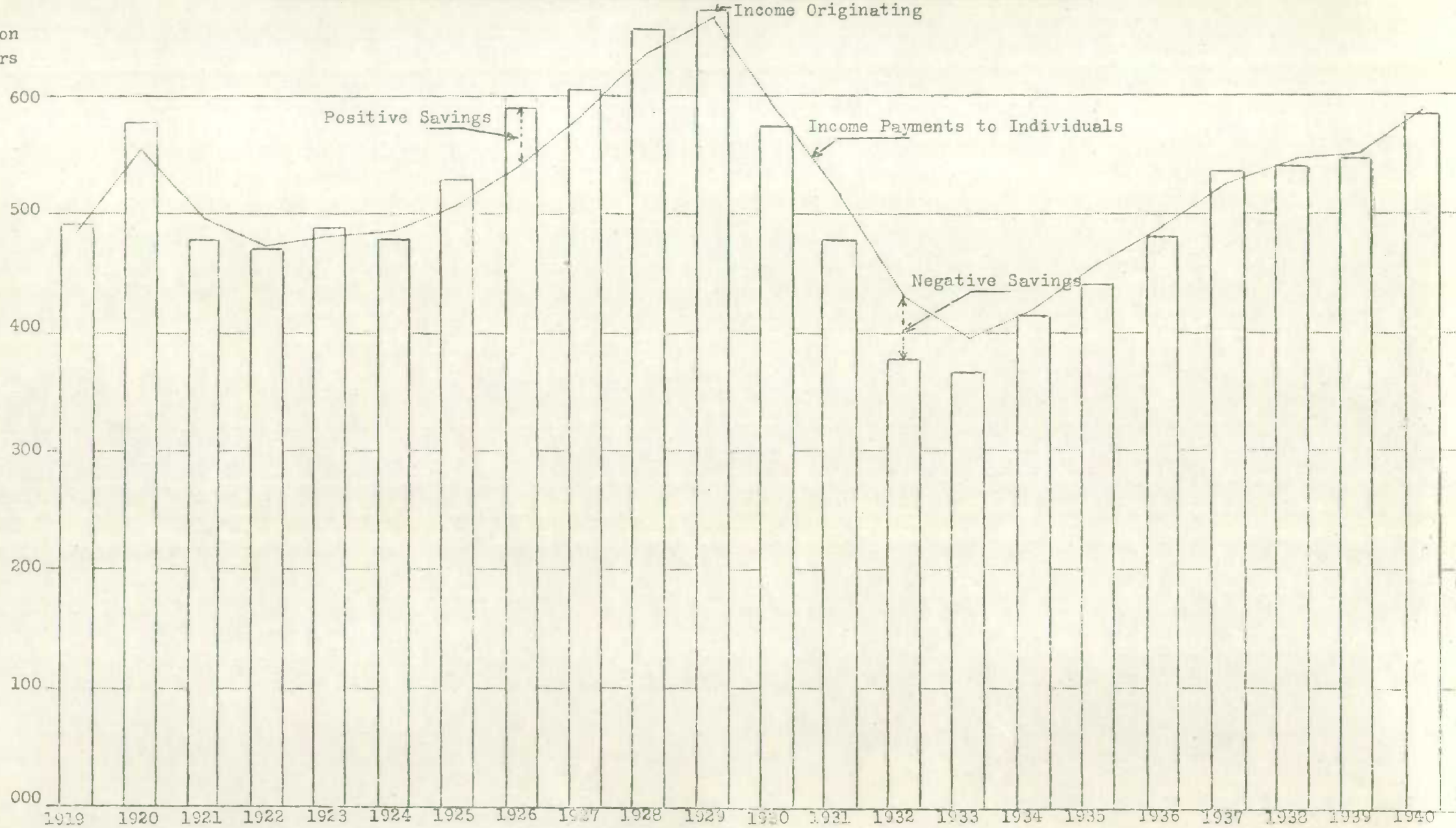
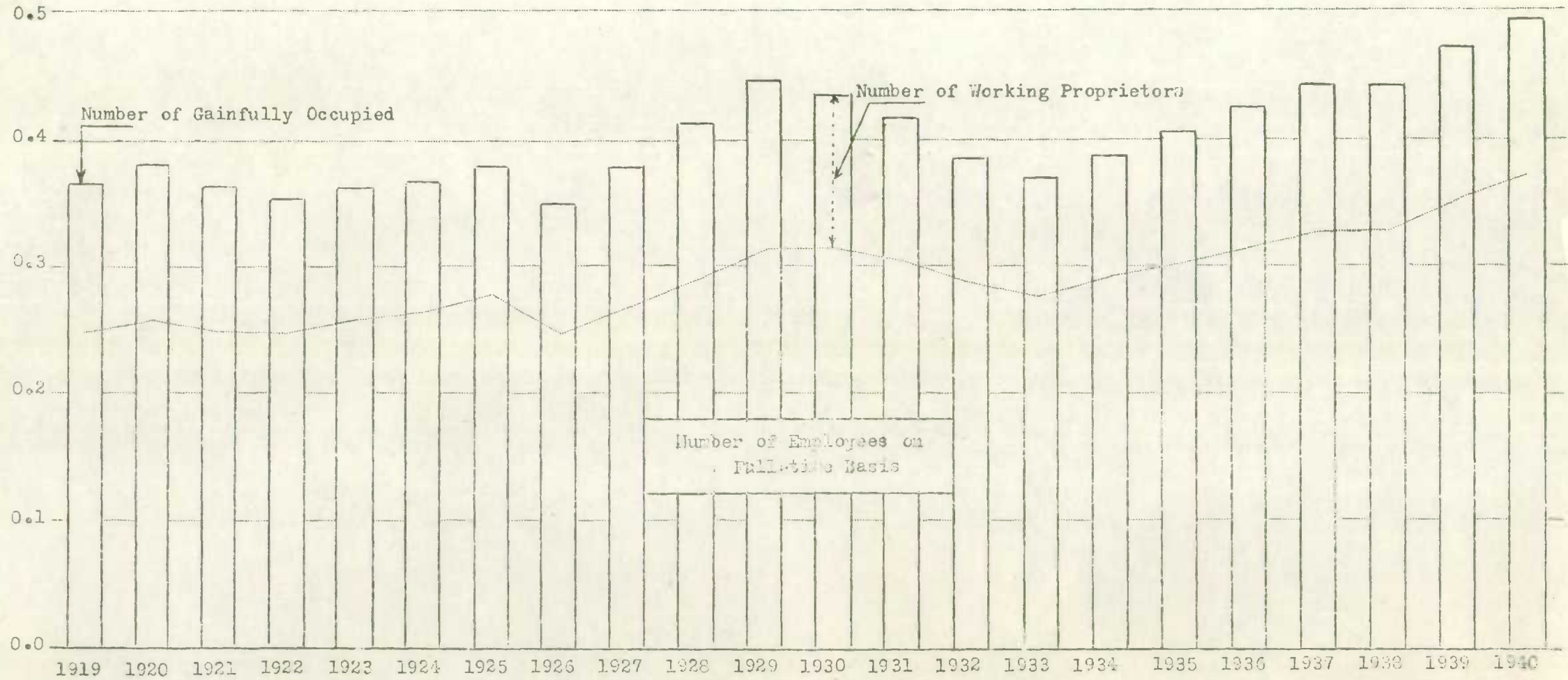


Chart 3.

NUMBER OF PERSONS OCCUPIED
IN
TRADE
ON FULL-TIME BASIS

Million
Persons



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