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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST TWO MONTHS OF 1944
COMPARED WITH THE SAME PERIOD OF 1943.

SECTION I. ECONOMIC CONDITIONS

The major factors indicating the trend of economic conditions were at a considerably higher level in the first two months of the present year than in the same period of 1943. The upward trend of business operations in evidence since the outbreak of hostilities was continued in the last twelve months. The index of the physical volume of business was, consequently, 7.8 p.c. higher in the first two months than one year ago. Owing mainly to the continued expansion in war production, the index has reached an extremely high level in relation to preceding years. An upward trend of marked proportions especially from the early part of 1940 has carried the business index in recent months to a new high position in history. A recession occurred in February as compared with the first month of the year. The index of industrial production, which is exclusive of distribution, rose slightly more than four points in February to 279.5.

A further increase was shown in wholesale prices since the beginning of the year. The gain in the general index over the first two months of 1943 was 5.4 p.c. The average in the period under review, on the base of 1926, was 102.6. An upward trend has been shown in wholesale prices since the early part of 1933 but especially since the outbreak of hostilities. The index passed through parity with the base period of 1926 during the year recently ended. The marked reaction from 1929 to the first quarter of 1933 has now been more than counterbalanced. The rising trend since the low point of the depression was interrupted for a time by the reaction of 1938 and the early part of 1939 but the advance was resumed in September of the latter year.

Speculative factors including the prices of common stocks and speculative trading on the stock exchanges were at higher levels in the early months of the present year. The common stock index rose from 77.5 to 81.8, a gain of 5.5 p.c. The considerable increase from August, 1942 to July of last year has not been offset in any important degree by the subsequent reaction. Dominion bond prices remained steady in recent months, the yield on representative long-term maturities approximating 3 p.c.

National Income

The national income according to the monthly tentative computation averaged 3.2 p.c. greater in January and February than in the same period of 1943. The standing of the two months was about \$1,432 million compared with \$1,387 million in the same period of 1943. Economic generators are still showing important increases in the current period. The present high levels of capital formation may be appraised by the expansion in the number of workers and payrolls in plants producing durable goods. The index of employment in this sector as measured by the monthly sample rose by 56.4 p.c. and that of payrolls by 100.1 p.c. from June 11, 1941 to February 1, 1944. The expenditure for war production in the fiscal year just ended was \$3,435 million, an increase of more than \$500 million over the preceding year. An increase of 3 p.c. in war production proper is forecast for the new fiscal year.

The outward movement of commodities was 36.6 p.c. greater in the first two months than in the same period of last year. The total value rose from \$348 million to \$475 million. The implements of war are flowing in heavy volume to many battle fronts. Exports in February were \$227 million against nearly \$168 million in the same month of 1943. The balance of commodity trade was favourable to Canada in the period under review to the amount of \$210.5 million against \$106.3 million one year ago. In addition, the net exports of non-monetary gold were valued at \$17.5 million in the first two months.

The money supply was 22 p.c. greater at the beginning of February than on the same date of last year. The total consisting of the deposit liabilities of the chartered banks and the circulating media in the hands of the public rose from \$4,176 million to \$5,108 million. Deposits were \$4,273 million against \$3,494 million while circulating media rose from \$681 million to \$835 million. The gain in bank notes in the hands of the public was more than 23 p.c., the total at the beginning of February having been \$781 million.

Dominion Government expenditures in the first eleven months of the fiscal year just ended were \$4,507 million compared with receipts of \$2,470 million. The expenditures of the same period of the preceding year were \$3,517 million against receipts of \$2,016 million. The difference between the expenditures and the revenues consequently was 35.7 p.c. greater in the reported period of the recent fiscal year, the total having been \$2,036.6 million against \$1,501 million.

Employment.

The historical maximum in the index of employment was reached in the latter part of 1943. While reaction was shown in the first two months of the year, the level was somewhat above that of the early period of 1943. Between February 1, . . . of last year and the same period of this year, there was an increase of 1.1 p.c. in employment in the eight industries for which statistics are available over a considerable period. The greater advance in payrolls is due in part to the payment of cost of living allowances to the majority of workers.

The amount of cheques cashed in the first two months of the present year was \$8,721 million against \$7,611 million in the first two months of last year. The gains were general in each of the five economic areas, the greatest increase having been shown in the Prairie Provinces. The gains of the first two months of 1944 ranged from 5.5 p.c. in Ontario to the marked increase of 51 p.c. indicated for the Prairie Provinces.

Owing to the continued expansion in production and business activity during 1943, the general index recorded an appreciable gain in the first two months of the present year. Four of the five main components of the index of the physical volume of business reached a higher level. The index of mineral production and of manufacturing recorded gains of 9.5 p.c. and 6.7 p.c., respectively. A decline was shown in the new business obtained by the construction industry. Contracts awarded receded from \$31 million to \$25 million, a decline of 19.3 p.c. A considerable gain, on the other hand, was recorded in building permits.

The index of distribution based upon railway traffic, internal and external trade recorded an appreciable increase. The number of tons carried one mile was 4,777 million against 4,244 million, a gain of 12.5 p.c., while carloadings were 15.8 p.c. greater. The gross revenues of the internal lines of the Canadian National Railway rose 13.4 p.c. in January, over the same month of 1943, while the receipts of the Canadian Pacific Railway were 26.4 p.c. greater.

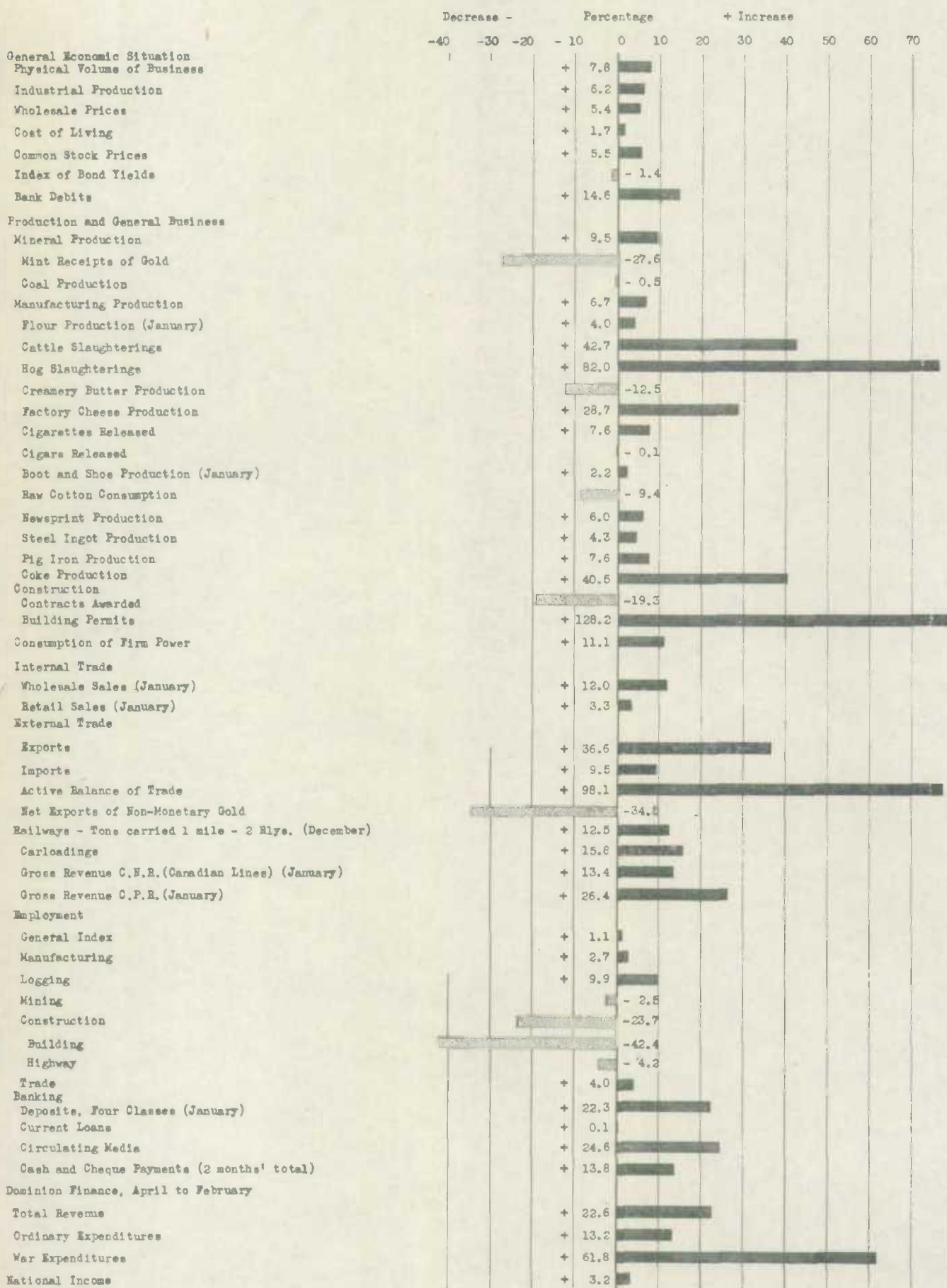
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THE ECONOMIC SITUATION IN CANADA

for the First Two Months of 1944

as compared with the same period of last year



Dominion Bureau of Statistics.

Twelve items recorded decline, while forty-one showed increases.

Table 1. Statistics Illustrating the Economic Situation of Canada for the first two months of 1944 compared with the same period of last year.

	Unit or Base Period	First Two Months		Per cent	
		1944	1943	Increase +	Decrease -
<u>General Economic Situation</u>					
Index of Physical Volume of Business	1935-39=100	244.3	226.6	+	7.8
Index of Industrial Production	1935-9=100	277.5	261.2	+	6.2
Wholesale Prices	1926=100	102.6	97.3	+	5.4
Cost of Living	1935-9=100	119.0	117.0	+	1.7
Index of Common Stock Prices	1935-9=100	81.8	77.5	+	5.5
Index of Bond Yields	1935-9=100	97.3	98.7	-	1.4
Bank Debts	\$ 000	8,720,506	7,611,471	+	14.6
<u>Production and General Business</u>					
Mineral Production	1935-9=100	252.6	230.7	+	9.5
Gold Receipts at Mint	Fine Ozs.	495,160	683,855	-	27.6
Coal Production	Tons	3,086,366	3,101,068	-	0.5
Manufacturing Production	1935-39=100	304.0	284.9	+	6.7
Flour Production (January)	Bbls.	2,041,193	1,963,042	+	4.0
Cattle Slaughterings	No.	239,126	167,566	+	42.7
Hog Slaughterings	No.	1,874,977	1,030,225	+	82.0
Creamery Butter Production	Lbs.	21,929,960	25,051,969	-	12.5
Factory Cheese Production	Lbs.	4,697,641	3,650,138	+	28.7
Cigarettes released	No.	1,972,370,107	1,833,242,235	+	7.6
Cigars released	No.	31,900,098	31,921,559	-	1.1
Leather Boots and Shoes (January)	Pairs	2,291,098	2,240,750	+	2.2
Raw cotton consumption	Lbs.	27,635,080	30,501,106	-	9.4
Paper and Lumber -					
Newsprint Production	Tons	482,663	455,351	+	6.0
Iron and Steel -					
Steel Ingot Production	Short Ton	472,038	452,596	+	4.3
Pig Iron Production	Short Ton	274,006	254,567	+	7.6
Coke Production	Short Ton	676,900	481,773	+	40.5
Construction -					
Contracts awarded	\$	25,011,900	31,003,300	-	19.3
Building Permits (58 Municipalities)	\$	8,133,298	3,564,872	+	128.2
Consumption of firm power	000 K.W.H.	6,156,707	5,539,449	+	11.1
Internal Trade -					
Wholesale Sales (January)	1935-9=100	156.7	139.9	+	12.0
Retail Sales (January)	1935-9=100	133.2	128.9	+	3.3
External Trade -					
Exports	\$ 000	475,257	348,007	+	36.6
Imports	\$ 000	264,739	241,718	+	9.5
Active Balance of Trade	\$ 000	+ 210,518	+ 106,289	+	98.1
Net Exports of Non-Monetary gold	\$000,000	17.5	26.7	-	34.5
Railways - Tons carried 1 mile -					
(December) 2 Rlys	000,000 tons	4,776,533	4,244,244	+	12.5
Carloadings	No.	561,200	484,670	+	15.8
Gross Revenue C.N.R. (Canadian Lines)					
(January)	\$	28,901,300	25,477,300	+	13.4
Gross Revenue C.P.R. (January)	\$	24,069,883	19,041,481	+	26.4
Employment - Unadjusted					
General Index	1926=100	184.5	182.5	+	1.1
Manufacturing		226.9	220.9	+	2.7
Logging		266.3	242.3	+	9.9
Mining		157.8	161.9	-	2.5
Construction		98.4	128.9	-	23.7
Building		106.9	185.6	-	42.4
Highway		103.3	107.8	-	4.2
Trade		166.0	159.6	+	4.0
Banking -					
Deposits, Four Classes (January)	\$ 000	4,272,877	3,494,394	+	22.3
Current Loans	\$ 000	1,037,239	1,036,224	+	0.1
Circulating Media	\$000,000	849.2	681.5	+	24.6
Cash & Cheque Payments (2 months' total)	\$000,000	11,917	10,469	+	13.8
Dominion Finance - April to February -					
Total Revenues	\$	2,470,191,839	2,016,120,718	+	22.6
Ordinary Expenditures	\$	525,753,129	464,401,857	+	13.2
War Expenditures	\$	3,271,493,977	2,021,623,720	+	61.8
United Kingdom War Financing (1942) and United Nations Mutual Aid (1943)	\$	672,769,228	1,000,000,000	-	-
National Income (Tentative Computation)	\$000,000	1,432	1,387	+	3.2

Twelve items recorded declines, while forty-one showed increases.

SECTION II. NATIONAL INCOME

Numbers and Remuneration of Employees

Numbers of Employees. - The approach to national income from the viewpoint of payments to ultimate consumers involves an extensive subsidiary study of Canada's manpower. The volume of production and, consequently, income, depends largely on the numbers at work.

In spite of the setback in the nineteen thirties, an upward trend in employment was shown in the 22-year period ended in 1940. It is estimated that employees on pay-rolls on a full-time basis averaged about 2,074,000 for the whole period, the increase in the second 11-years over the first half having been 6.2 p.c. The trend of employment of wage-earners and salaried workers varied greatly between different industries and service groups. Gains were shown in five of the seven main groups, the exceptions being primary production and transportation. The greatest expansion occurred in government, trade and service, while in finance and secondary production, the increases were 9.0 p.c. and 4.6 p.c., respectively. The gain in this class of labour force was from an average of 2,011,000 in the first half to 2,136,000 in the second.

The fluctuation in the number of employees conformed closely to that of the economic cycle. Fluctuation in the number engaged in different industries is an index of sensitivity to alternating economic prosperity and depression.

Activity in the period immediately following the last war culminated in 1920 when the number of employees was placed at slightly more than two million. The decline in the next year was more than 10 p.c. and it was not until 1926 that the setback had been counterbalanced. The decline in the next phase was from 2,343,000 in 1929 to 1,828,000 in 1933. The subsequent advance has lasted without important interruption to the present time.

The employees were nearly 61 per cent of the gainfully engaged population during the period under review. The total working forces averaged 3,399,000 while the employees were 2,073,650. The working proprietors and "no pays" constituted the remaining one and one third million.

Secondary production consisting of manufacturing, construction and custom and repair furnished greater opportunities of employment than any other group, the proportion of the whole having been nearly 29.5 p.c. during the period. Primary production including the six industries based largely on natural resources, were in second place with 17.8 p.c. Professional, educational and other service activities were important, employing 16.6 p.c. of the total number. Trade and transport engaged about 14 p.c. and 12 p.c., respectively. Government and finance followed in the order named.

The number of employees engaged on a full-time basis in the United States averaged about 31,020,000 during the 22-year period against 2,074,000 in Canada. The active force of the United States was, consequently, nearly 15 times that of this country. The number engaged averaged about 2-2/3 p.c. less in the second half of the period than in the first, contrasting with an increase of more than 6 p.c. in Canada.

Salaries and Wages. - The salaries and wages paid by Canadian enterprise by seven major groups from 1919 to 1940 are shown in Table B. Despite the increase in the number of employees, the remuneration recorded a slight decline from the first half of the period to the second, indicating a recession in the salary-wage rate. The general decline was limited to 1.2 p.c., but considerable variation occurred in the fortunes of the different groups. The employees in transport and primary production experienced the greatest percentage declines amounting to 17.5 p.c. and 11 p.c., respectively.

Marked gains occurred in the salary distribution of government while finance and service also scored in this connection. Such payments by secondary production were slightly more than maintained. The gains in the finance, government and service activities were more than counterbalanced by adverse tendencies in other groups. Extending the scope by the inclusion of transportation and trade, the gain was limited to less than one per cent.

The fluctuation in salaries and wages was pronounced during the period. The three maxima were in 1920, 1929 and 1940, progressive increases having been shown, from one cycle to the next. Employee remuneration of \$3,082 million in the last year of the period under review showed gains of 24.4 p.c. over 1920 and of 9.9 p.c. over 1929. The low point of the first half of the period was in 1922 at \$2,017 million, but the nadir of the whole period was reached in 1933 when payments dropped to \$1,741 million. The recovery of seven years from 1933 to 1940 was needed to counterbalance the decline of the preceding four.

Percentage analysis discloses a marked fluctuation in each of the seven groups from 1929 to the end of the period. The general total declined nearly 38 p.c. from 1929 to 1933 and rose 77 p.c. from that low point to the position of 1940. Primary production recorded the greatest percentage decline but the drop in secondary production, transportation and trade was also pronounced. Government was the least affected while service and finance followed in order.

Due mainly to war conditions, the gain in salaries and wages, pay and allowances disbursed by government rose 140.7 p.c. from 1933 to 1940. Primary industry recovered sharply, the gain having been 116.3 p.c. The salaries and wages paid by secondary production were more than doubled. Marked gains were also shown in trade, transportation, service and finance.

As employee remuneration forms such a large proportion of the entire national income, it is obvious that the fluctuations of the two factors must be in close accord. A test by mathematical process confirm that the relationship is excellent.

Remuneration of employees in the form of salaries and wages, amounting to nearly 58 p.c. of the total, was the chief income payment. If living allowances of so-called unpaid labour and other labour income were added, the employees' share would be raised to nearly 61 p.c. The withdrawals of working proprietors mainly farmers, retailers and professionals constituted nearly one-quarter of the total in the twenty-two years. Investment income, including net dividends, interest on bonds, debentures and mortgages, net rentals and other returns from credit instruments was computed at more than 14 p.c. of national income payments.

The industries engaged in secondary production had a greater payroll than any other major group, amounting to 28.4 p.c. of the whole. The shares paid by primary production, trade and service were of similar dimensions ranging from 14.7 p.c. to 12.8 p.c. Government and finance paid in the proportions of 9.8 p.c. and 5.2 p.c., respectively.

Salaries and wages averaged about \$2,304 million in the period under review, while similar payments in the United States were about 17.8 times as great at \$41,103 million. The decline in the second half of the period from the first in the United States was 10.3 p.c. compared with the recession of 1.2 p.c. in Canada.

Capital Formation. - The importance of capital formation as a feature of economic activity has long been recognized. Income received by individuals is mainly disbursed in two ways -- for living expenses and for savings. Thus the money flow from consumers to producers may be regarded as divided into two streams, of which savings are devoted to the expansion of plant and equipment. An individual, however, who adds to his private wealth by saving, that is, by consuming less than the whole of his income, does not directly bring about the production of real capital. Incomes are derived from producing consumption goods or from producing investment goods. Income payments are spent on consumption goods or saved. Consequently, for the community as a whole, the rate of saving is equal in the long run to the rate of investment. The investment money flow is normally far less than that arising from payment for consumption goods.

At an early stage in many periods of prosperity, simultaneous over-commitments for expansion of industrial equipment are made in most branches of industry. Each such commitment through credit extension involves the creation of purchasing power. The process of extending commitments, expanding credit and rising prices continues until it is checked by shortage of credit facilities or until experienced business men see danger in the further expansion of production facilities.

Gross capital formation as estimated on a preliminary basis recorded a considerable increase in the period from the end of the last world war. The upward trend of the index on the base of 1935-1939 was no less than 1.5 points per year. Confirming the consensus of opinion, extreme fluctuations were recorded. The total after rising from \$259 million in 1921 to \$1,799 million in 1928, then dropped to \$412 million in 1932. The rise to 1940 was not less than 368 p.c. to \$1,929 million. The gains in 1939 and 1940 were occasioned by war conditions, a new high point having been reached in the latter year. The extent of the fluctuation was at least double the average for the outstanding economic factors of Canada.

A similar estimate of gross capital formation for the United States showed a downward trend during the 22-year period. The highest point, however, was recorded in 1940, the gain over 1929 having been about 6.5 p.c. The fluctuation was somewhat less extreme than in Canada. While the correlation between the Canadian and the American capital formation was significant, considerable disparity was shown at times. The relationship of changes during the course of economic cycles of the inter-war period is displayed in Chart C.

Table A. Number of Employees on a Full-time Basis by the Seven Main Groups,
1919 - 1940

Year	Total	Primary Production and Processing	Secondary Production n.e.s.	Transportation and Communication	Trade	Finance	Government	Service
1919	1,886,861	326,748	566,639	268,346	246,280	61,845	100,659	314,344
1920	2,010,053	349,774	629,500	284,290	258,338	64,730	111,416	312,005
1921	1,802,107	333,056	488,918	260,244	247,755	63,325	114,715	294,094
1922	1,855,857	350,623	514,936	264,794	247,928	62,761	111,044	303,771
1923	1,933,816	371,437	545,278	272,380	256,918	63,439	110,990	313,374
1924	1,903,800	361,255	523,064	262,866	262,995	64,894	110,738	317,988
1925	1,956,548	364,492	556,856	258,072	276,086	67,805	113,494	319,743
1926	2,036,452	382,576	621,051	269,368	248,482	70,855	117,492	326,628
1927	2,135,076	404,182	659,846	274,607	268,464	74,497	122,912	330,568
1928	2,258,902	417,821	714,904	284,033	288,413	78,784	127,432	347,515
1929	2,342,768	407,768	749,960	291,933	312,350	83,159	136,304	361,285
1930	2,298,204	411,855	695,591	273,858	314,743	83,927	151,100	367,130
1931	2,094,908	330,838	624,755	245,539	304,774	80,077	151,383	357,542
1932	1,885,570	309,460	521,658	216,109	285,755	76,033	142,698	333,857
1933	1,828,292	303,243	505,967	200,840	275,998	73,294	127,209	341,741
1934	1,920,601	330,673	525,926	206,799	289,919	71,713	139,432	356,139
1935	2,005,417	355,415	571,729	210,576	300,365	71,670	135,342	360,320
1936	2,094,145	366,439	614,345	221,789	313,845	72,322	139,049	366,356
1937	2,237,364	397,489	688,644	226,632	325,538	73,780	148,116	377,165
1938	2,206,394	400,303	654,658	222,622	326,639	74,247	149,357	378,568
1939	2,316,874	407,174	684,544	222,457	352,003	75,208	186,489	388,999
1940	2,610,312	439,391	785,916	233,101	369,310	71,724	306,270	404,600
Annual Averages								
First Half	2,011,113	369,976	597,359	271,903	265,093	68,736	116,109	321,938
Second "	2,133,189	368,389	624,885	225,484	314,444	74,909	161,495	366,583
Full Period	2,073,650	369,182	611,122	248,693	289,768	71,822	138,802	344,261

Table B. Salaries and Wages Paid in Canada by the Seven Main Groups, 1919-1940.

\$000

Year.	Total	Primary Production and Processing	Secondary Production, n.e.s. and	Transportation and Communication	Trade	Finance	Government	Service
1919	2,120,601	313,746	616,079	328,302	285,148	90,859	247,325	239,142
1920	2,477,573	396,346	747,482	405,950	346,822	105,981	194,788	280,204
1921	2,078,495	319,501	542,337	353,097	317,969	101,289	183,436	260,866
1922	2,017,064	302,216	542,570	340,007	299,547	98,309	174,708	259,707
1923	2,159,482	352,549	587,008	354,212	313,810	102,246	175,450	274,207
1924	2,123,299	340,799	565,083	340,618	319,309	105,832	173,649	278,009
1925	2,183,568	344,481	591,170	339,796	331,318	111,967	182,188	282,648
1926	2,350,511	370,351	664,827	365,349	356,044	118,152	184,108	291,680
1927	2,494,258	390,479	710,826	382,891	386,309	125,679	195,621	302,453
1928	2,680,730	411,918	776,438	405,956	421,816	136,666	210,931	317,005
1929	2,803,573	409,077	835,308	418,931	437,950	145,813	223,703	332,791
1930	2,625,472	385,122	753,127	393,839	377,596	145,617	240,391	329,780
1931	2,290,236	282,329	647,601	340,269	330,414	137,359	240,243	312,021
1932	1,910,808	221,881	502,280	276,366	276,877	123,149	223,545	286,690
1933	1,740,589	207,478	450,813	244,301	258,574	112,728	199,797	266,898
1934	1,870,685	217,419	496,654	251,561	268,646	112,868	217,835	275,702
1935	2,016,186	278,915	560,457	265,553	291,371	116,202	218,803	284,885
1936	2,162,216	308,463	617,611	282,841	311,833	119,380	226,737	295,351
1937	2,432,219	371,299	735,878	303,457	335,949	126,505	244,045	315,086
1938	2,454,348	369,905	729,259	313,778	345,388	128,679	245,182	322,157
1939	2,604,519	390,564	757,884	317,821	356,055	130,848	319,806	331,541
1940	3,081,980	448,844	942,428	339,494	392,479	128,035	480,846	349,854
Annual Average								
First Half	2,317,196	359,224	652,648	366,828	346,913	112,981	195,082	283,519
Second "	2,289,933	319,293	653,999	302,664	322,289	125,579	259,748	306,360
Full Period	2,303,564	339,258	653,324	334,746	334,601	119,280	227,415	294,940

Table C. Gross Capital Formation and Main Components, 1919-1943.

\$'000

Year	Total	Construction	Producers and Consumers Durables	Change in International Claims	Change in Inventories	Changes in Monetary Stock
1919	1,029,700	337,203	670,894	+ 27,000	- 4,248	- 2,049
1920	839,221	144,100	840,535	- 350,500	- 76,805	- 18,109
1921	258,576	366,800	603,004	- 188,300	- 506,396	- 16,532
1922	915,111	384,400	624,791	+ 10,700	- 152,795	+ 48,015
1923	1,078,068	396,500	718,789	+ 5,400	- 27,703	- 14,918
1924	1,299,353	385,200	710,678	+ 86,100	+ 93,294	+ 24,081
1925	1,536,192	404,700	739,384	+ 212,800	+ 123,193	- 3,890
1926	1,472,640	452,300	867,758	+ 147,600	+ 11,645	- 6,663
1927	1,620,928	510,300	942,370	- 8,900	+ 177,020	- 462
1928	1,799,278	578,200	1,049,946	+ 33,200	+ 175,348	- 37,416
1929	1,616,839	599,900	1,220,657	- 396,300	+ 141,904	- 30,322
1930	747,302	538,700	333,092	- 388,200	- 369,507	+ 33,217
1931	485,463	390,800	722,665	- 172,600	- 426,150	- 29,252
1932	412,112	270,900	471,253	- 103,700	- 232,425	+ 6,984
1933	628m550	297,700	414,236	- 20,800	+ 28,492	- 1,078
1934	812,734	176,800	523,437	+ 24,000	+ 52,889	+ 35,608
1935	1,065,382	215,500	607,119	+ 102,500	+ 65,686	+ 74,577
1936	1,145,871	258,040	719,575	+ 221,100	- 52,330	- 514
1937	1,523,429	351,874	871,538	+ 180,000	+ 118,895	+ 1,122
1938	1,312,459	353,223	828,949	+ 100,000	- 1,225	+ 31,512
1939	1,615,408	373,204	870,376	+ 126,000	+ 170,394	+ 75,734
1940	1,928,943	474,123	1,018,289	+ 149,000	+ 287,531	Un-
1941 x	2,760,773	639,751	1,255,754	+ 491,000	+ 374,268	avail-
1942 x	3,208,367	635,650	-	+1,100,000	+ 533,201	able
1943 x	4,436,306	-	-	-	-	-

x Preliminary

DESCRIPTION OF METHOD

(a) Number of Employees. The working forces of Canada are classified into working proprietors, employees and unpaid labour. The working proprietor, including the census classes of "own accounts" and "employers", conducts an enterprise under his control, assuming the responsibility for successful operation. The employee for his services receives payment in the form either of salaries or wages.

The number of employees, for national income purposes, is calculated on a full-time basis, being equivalent to the total of man-years worked by those employed rather than of actual numbers occupied on any particular date. The annual census of industry computes the employment on a full-time basis by averaging the numbers reported for the middle of each month. Information regarding the number of weeks worked, compiled by the decennial census, is valuable in arriving at the full-time employment in a considerable list of industries.

The annual census of industry embracing forestry, fisheries, mining, electric power, manufactures and construction, the industries in the transportation groups, except water and road transport, education, etc., present information directly as to the number of employees. The examination of company and public accounts, notably in finance and government, is the procedure for another section. Comprehensive data were made available by the decennial census as to the numbers employed in the ten-year periods. The intercensal years were estimated by interpolation, using pertinent data for the several groups. In a few instances, the salaries and wages were divided by a rate to give the numbers of employees.

(b) Salaries and Wages. Salaries and wages were computed for each of the thirty industrial and service groups of the Canadian economy. The annual census in varied lines conducted by the Bureau was the main source of information. For government and financial groups, a compilation was made from public and company accounts. The decennial census was valuable in furnishing totals for the 1920-21 and 1930-31 periods for the remaining groups. Interpolation was affected by means of appropriate indexes or other relevant data. The indexes of employment and wage rates were of value in this connection. The numbers employed and average rates of remuneration were computed for each of the thirty groups, the product being regarded as the remuneration.

The method of computation for each of the seven main groups was presented in considerable detail in "Economic Conditions" from May to January last.

(c) Gross Capital Formation. Eight components of gross capital formation were separately computed.

(1) The value of work performed given in the Bureau report on Construction, was used for the years 1935 to 1942. Previous years were estimated by using the statistics of contracts awarded with an addition to cover government operations.

(2) The flow of producers durable commodities to ultimate consumers from 1926 to 1936 were measured by a detailed compilation. The production, imports and exports of commodities were entered separately year by year classified into minor groups. The exports were deducted from the sum of the production, imports and duty. An additional amount was included for transportation and trade markups.

Taking advantage of statistics of production and external trade classified by the purpose group system the results for 1926 to 1936 were projected to cover the remainder of the period.

(3) The totals for consumers durables were obtained by deducting exports from the sum of production, imports and customs duty. The totals as reported by the Branches dealing with Manufacturing and External Trade were used in this connection.

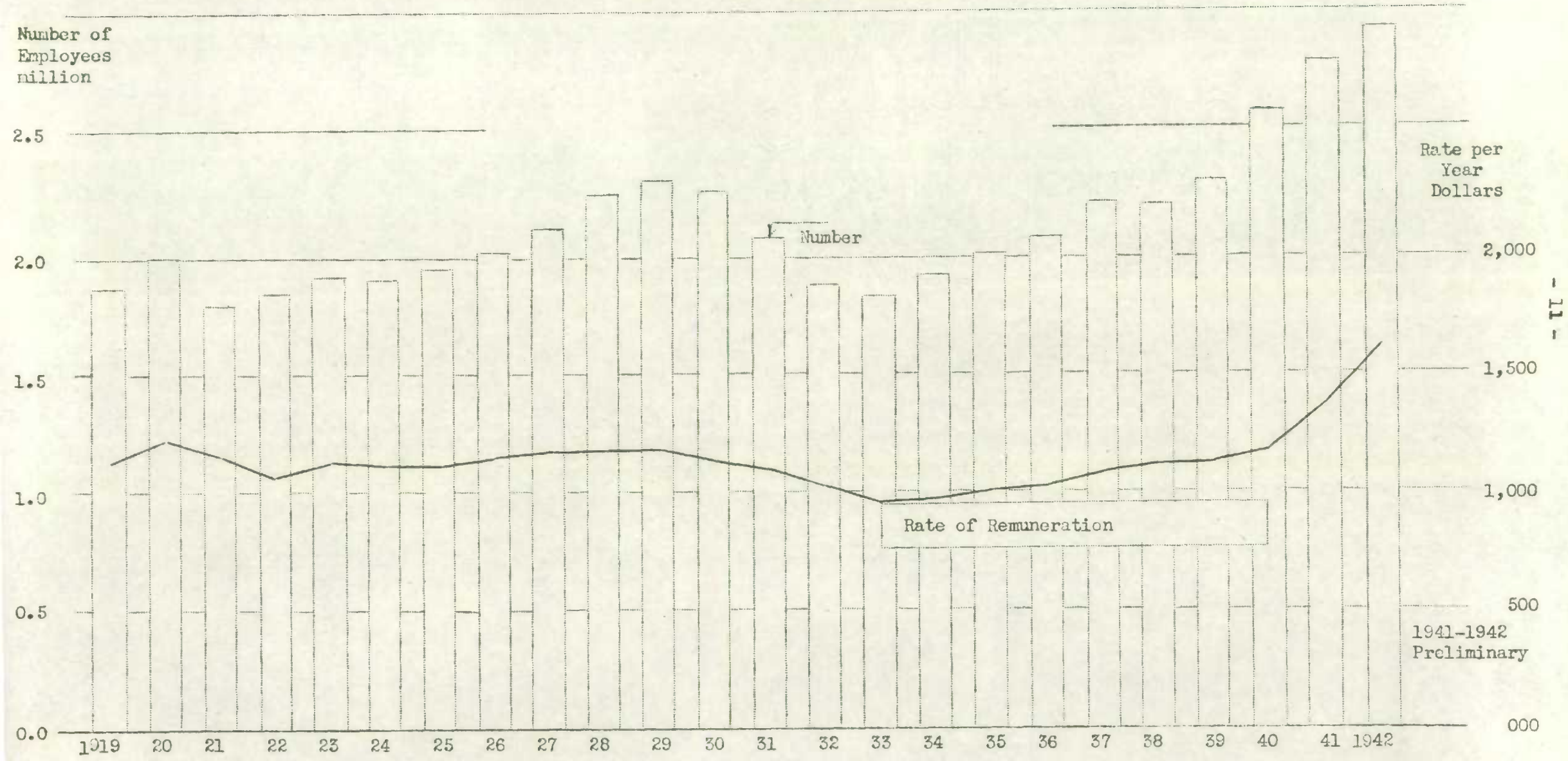
(4) Changes in international claims were derived from statistics published from 1926 to 1942 by the International Payments Branch and for previous years from the report of the Dominion-Provincial Relations Commission on Dominion Monetary Policy.

(5) The changes in inventories were based on statistics of (a) raw materials, finished products on hand, stocks in process, fuel and supplies of manufacturing plants, (b) grain inventories at the end of the year at farm prices plus transportation charges to the Lakehead, and (c) values of live stock, as reported by the decennial census, interpolated by the records of the Agricultural Branch.

The changes in the monetary stock were compiled for 1919 to 1934 from statistics published in the Canada Year Book and from 1935 to 1939 from the reports of the Bank of Canada.

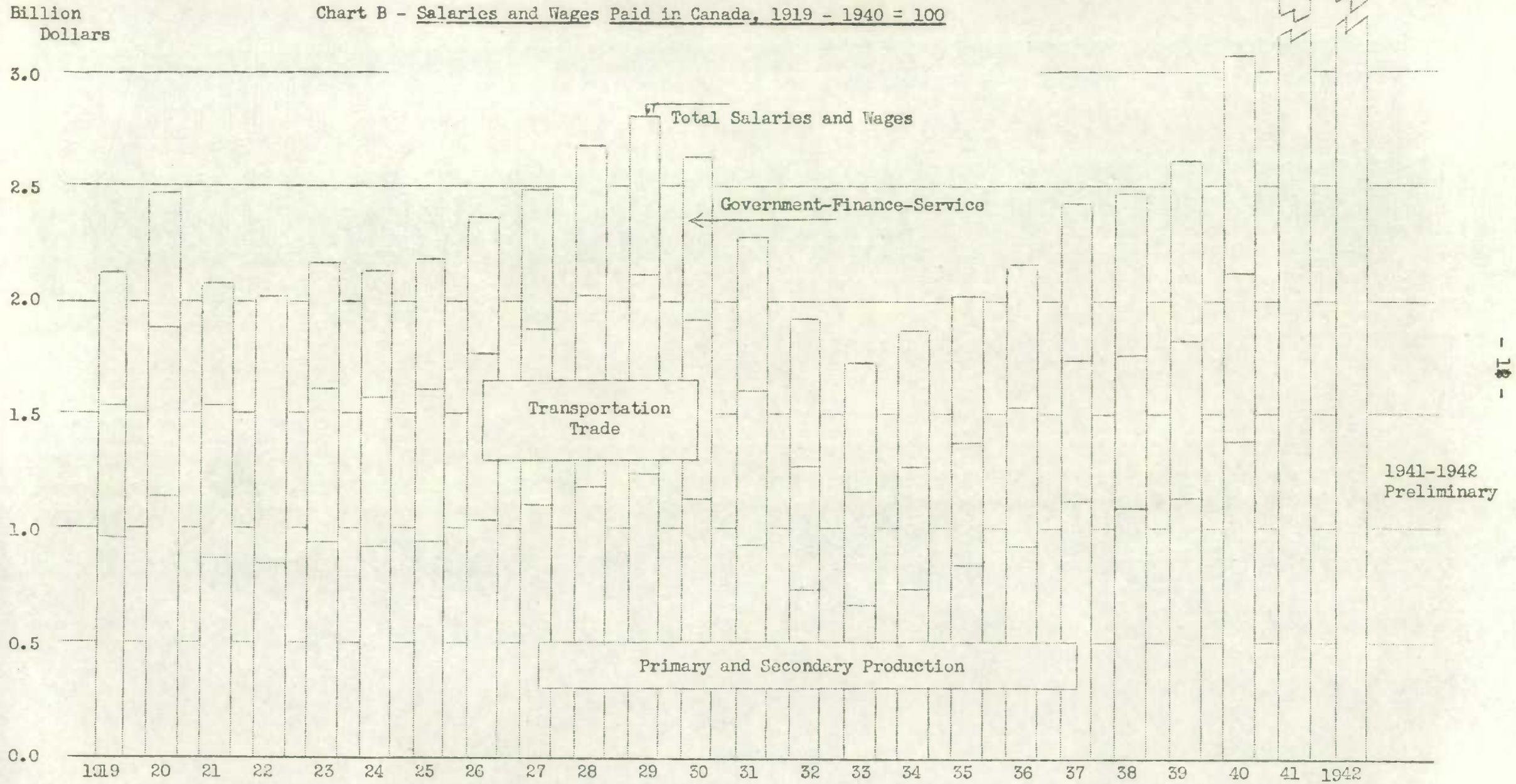
The amount of the gross capital formation of the United States for 1919 to 1933 was obtained from Line 5, page 484, Commodity Flow and Capital Formation, and a number of items given on pages 16 and 17 of April, 1942, and on page 12, Table 2 of May, 1942 Survey of Current Business. The most inclusive variant was utilized in this connection.

Chart A - Number of Employees on a Full-time Basis



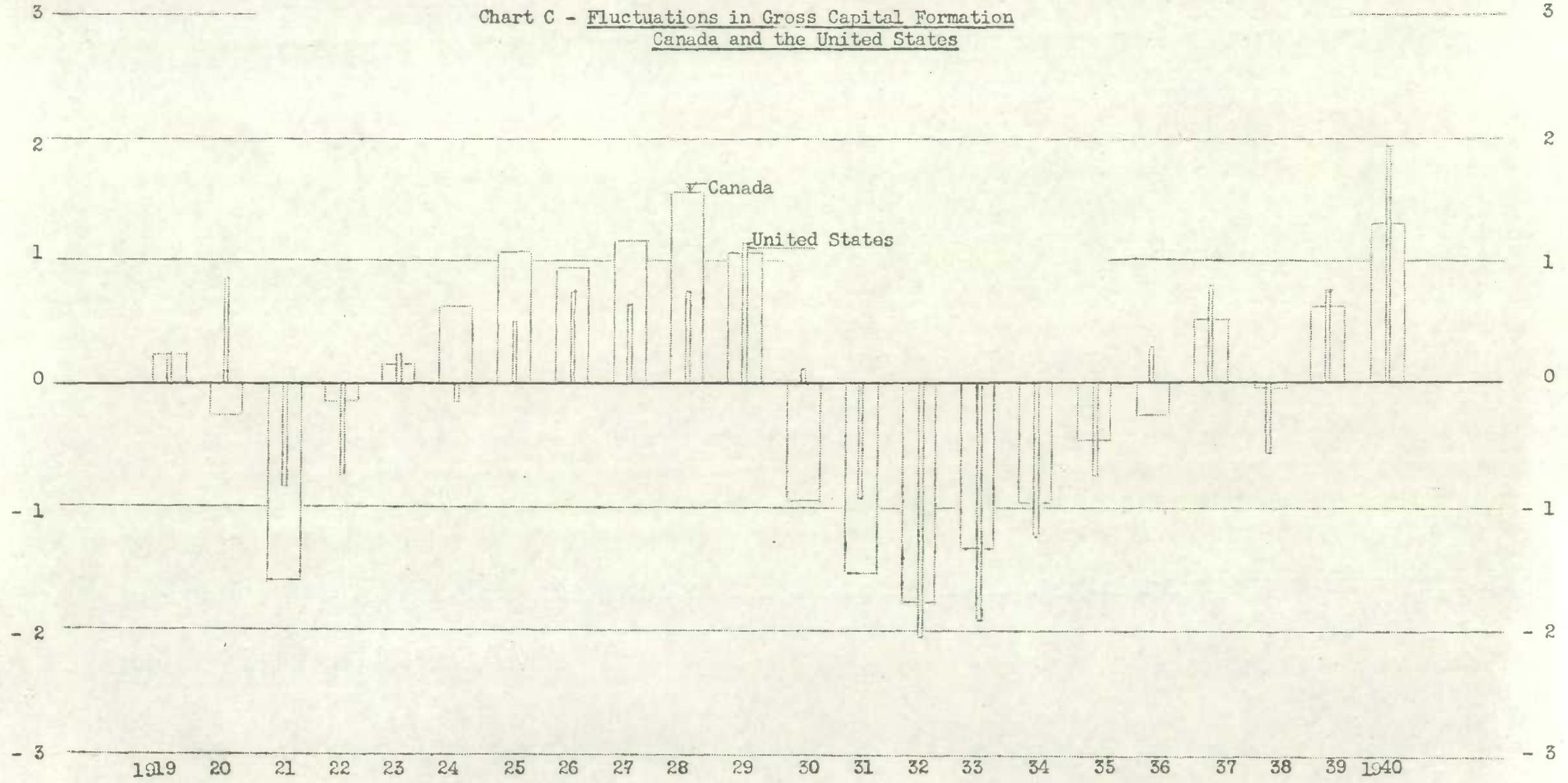
1941-1942
Preliminary

Chart B - Salaries and Wages Paid in Canada, 1919 - 1940 = 100



Unit
One Standard
Deviation

Chart C - Fluctuations in Gross Capital Formation
Canada and the United States



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