

11-15-01

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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST QUARTER OF 1944  
COMPARED WITH THE SAME PERIOD OF 1943SECTION I. ECONOMIC CONDITIONS

Each of the six major factors indicating the trend of economic conditions recorded gains in the first quarter of this year over the same period of 1943. The most influential movements were advances in productive operations and in the deposit liabilities of the chartered banks. An index of the physical volume of business advanced  $7\frac{1}{2}$  per cent over the first quarter of 1943. The average of the four main classes of bank deposits recorded during the first three months an increase of 18.6 per cent. The average was \$4,286 million against \$3,615 million in the same period of 1943. Notice deposits rose to a new high position in the period under review, having exceeded the \$2 billion mark at the end of the first month of the year.

The advance in wholesale prices in progress since the first quarter of 1933 and especially since the outbreak of hostilities averaged considerably higher in the first quarter of the present year. The advance in wholesale prices which had been rapid from August, 1939 to November, 1941, recorded a slackening in the pace subsequent to the later months of 1941. The increase in the index of wholesale prices over the first quarter of 1943 was slightly more than 5 per cent, the standing on the base of 1926 having been 102.7.

The level of common stock prices was higher in the first quarter of the present year than in the same period of 1943. A considerable advance occurred in common stock prices from August, 1942 to July of last year. Since that time, a downward trend has been recorded. The index of common stocks receded one-half point in March from the preceding month, the standing on the base of 1935-39 having been 81.5. The standing in the first quarter was 81.7, an increase of 4.7 per cent over the same period of 1943. Long term Dominion bonds have shown marked stability for some time especially in the last twelve months. The shorter term maturities have advanced in price, the yields having moved to a somewhat lower position. Speculative trading was at a considerably higher level in the first quarter of the present year than in the same period of 1943.

Agricultural marketings recorded a marked gain in the first quarter of the present year. The index of grain marketings in March was 244.2 compared with 108.4 in the same month last year. In the same comparison the index of live stock marketings moved up from 110.7 to 116.4, the average for the quarter recording a marked advance. The index of cold storage holdings which had been 124.2 on April 1 last year rose to 245.3 on the same date of 1944.

Cattle slaughterings rose 32 per cent, the total in the first quarter of the year being 396,000 head. The gain in hog slaughterings was even greater, the total in the period under review having been 2,807,000 head, an increase of more than 77 per cent. Some decline was recorded in the production of creamery butter, while a gain of nearly 21 per cent was shown in the output of factory cheese, the total in the first quarter of the year having been 7.8 million pounds.

While the index of mineral production recorded a gain, decline was shown in the receipts of gold at the Mint. Coal production at 4.6 million tons recorded a decline of nearly 3 per cent. Employment in the mining industry showed recession, the index having been 158.3 against 162.0 in the first quarter of 1943.

An index of manufacturing production rose more than 5 per cent to 302.8 in the first quarter of 1944. The tobacco industry was more active as measured by the release of cigarettes. The total in the first quarter was 3,022 million against 2,872 million, a gain of 5.2 per cent. A slight gain was also shown in the release of cigars. The cotton textile industry was less active, the consumption of cotton dropping from 48.7 million pounds to 43.9 million pounds, a decline of 9.8 per cent. Newsprint production recorded a gain of 4.6 per cent over the standing of the first quarter of last year. Minor percentage gains were shown in the output of steel and pig iron over the high levels of the first quarter of 1943. Coke production rose 38 per cent to 1,033,000 short tons.

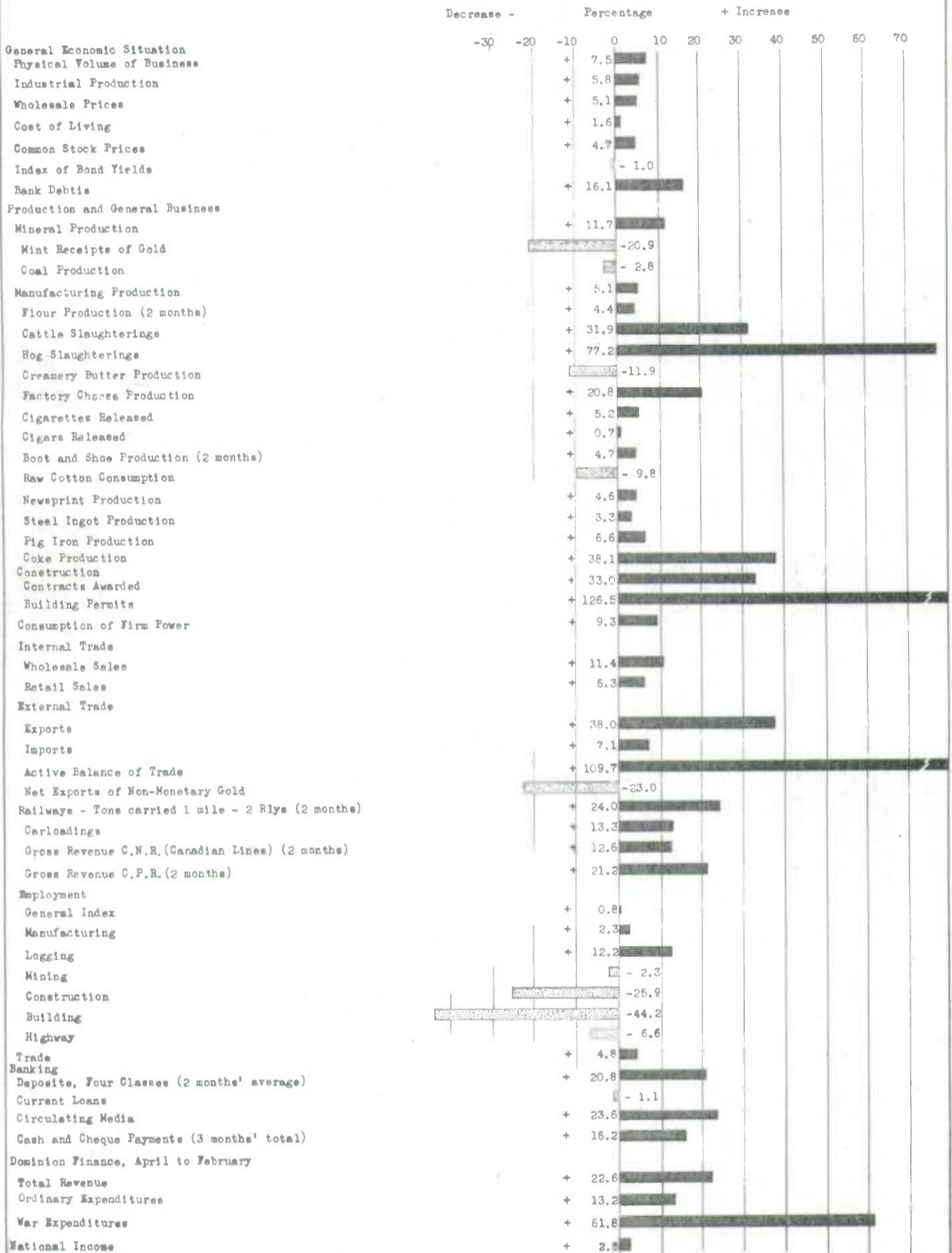
The consumption of primary power increased from 8.5 billion kilowatt hours to 9.3 billion, the indicated gain having been 9.3 per cent. The construction industry was more successful in obtaining new business. Contracts awarded during the first four months were reported at \$83.7 million, a gain of \$25.6 million or 44 per cent over the same period of 1943.

Sales of retail stores were 6 per cent greater in the first quarter than in the same period of last year. Warm spring weather stimulated marked sales, especially in clothing lines.

Published by Authority of the Hon. James A. MacKinnon, M.P.,  
Minister of Trade and Commerce

THE ECONOMIC SITUATION IN CANADA  
for the First Quarter of 1944

as compared with the same period of last year



Dominion Bureau of Statistics.

Eleven items recorded decline, while forty-two showed increases.



Table 1. Statistics Illustrating the Economic Situation of Canada for the First Quarter of 1944 compared with the same period of last year.

	Unit or Base Period	First Quarter		Per cent Increase + Decrease -	
		1944	1943		
<u>General Economic Situation</u>					
Index of Physical Volume of Business	1935-39=100	245.5	228.3	+	7.5
Index of Industrial Production	1935-39=100	279.2	263.8	+	5.8
Wholesale Prices	1926=100	102.7	97.7	+	5.1
Cost of Living	1935-39=100	119.0	117.1	+	1.6
Index of Common Stock Prices	1935-39=100	81.7	78.0	+	4.7
Index of Bond Yields	1935-39=100	97.3	98.3	-	1.0
Bank Debits	\$ 000	13,493,685	11,623,354	+	16.1
<u>Production and General Business</u>					
Mineral Production	1935-39=100	255.9	229.0	+	11.7
Gold Receipts at Mint	Fine Ozs.	761,525	963,137	-	20.9
Coal Production	Tons	4,635,458	4,766,921	-	2.8
Manufacturing Production	1935-39=100	302.8	288.0	+	5.1
Flour Production (2 months)	Bbls.	4,128,898	3,953,774	+	4.4
Cattle Slaughtering	No.	396,121	300,318	+	31.9
Hog Slaughtering	No.	2,807,283	1,584,686	+	77.2
Creamery Butter Production	Lbs.	35,785,551	40,628,329	-	11.9
Factory Cheese Production	Lbs.	7,782,185	6,439,733	+	20.8
Cigarettes released	No.	3,021,521,004	2,872,217,534	+	5.2
Cigars released	No.	50,279,415	49,910,125	+	0.7
Leather Boots and Shoes (2 months)	Pairs	4,829,275	4,612,347	+	4.7
Raw cotton consumption	Lbs.	43,938,622	48,687,511	-	9.8
Paper and Lumber -					
Newsprint Production	Tons	734,755	702,206	+	4.6
Iron and Steel -					
Steel Ingot Production	Short Ton	747,577	723,558	+	3.3
Pig Iron Production	Short Ton	442,053	414,668	+	6.6
Coke Production	Short Ton	1,032,608	747,611	+	38.1
Construction -					
Contracts awarded	\$	56,031,200	42,113,900	+	33.0
Building Permits (58 municipalities)	\$	13,237,933	5,845,827	+	126.5
Consumption of firm power	000 K.W.H.	9,306,157	8,516,999	+	9.3
Internal Trade -					
Wholesale Sales	1935-39=100	170.7	153.2	+	11.4
Retail Sales	1935-39=100	145.8	137.1	+	6.3
External Trade -					
Exports	\$ 000	765,200	554,580	+	38.0
Imports	\$ 000	415,525	387,831	+	7.1
Active Balance of Trade	\$ 000	+ 349,675	+ 166,749	+	109.7
Net Exports of Non-Monetary gold	\$ 000,000	30.4	39.5	-	23.0
Railways - Tons carried 1 mile -					
(2 months) 2 Rlys.	000,000 tons	9,268	7,473	+	24.0
Carloadings	No.	873,664	770,949	+	13.3
Gross Revenue C.N.R. (Canadian Lines)					
(2 months)	\$	58,627,700	52,089,400	+	12.6
Gross Revenue C.F.R. (2 months)	\$	47,932,383	39,559,313	+	21.2
Employment - Unadjusted					
General Index	1926=100	183.6	182.1	+	0.8
Manufacturing		226.7	221.7	+	2.3
Logging		267.6	238.6	+	12.2
Mining		158.3	162.0	-	2.3
Construction		94.0	126.8	-	25.9
Building		101.4	181.8	-	44.2
Highway		96.0	102.8	-	6.6
Trade		162.8	155.4	+	4.8
Banking -					
Deposits, Four Classes (2 months' average)	\$ 000	4,244,590	3,513,863	+	20.8
Current Loans	\$ 000	996,316	1,007,516	-	1.1
Circulating Media	\$ 000,000	842.3	681.5	+	23.6
Cash & Cheque Payments (3 months' Total)	\$ 000,000	18,553	15,964	+	16.2
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	2,166	2,114	+	2.5

Eleven items recorded declines, while forty-two showed increases.

Table A. Number of Working Proprietors by the Six Main Groups, 1919 - 1940

Year	Total	Primary Production and Processing	Secondary Production n.e.s.	Transportation and Communication	Trade	Finance	Service
1919	1,045,862	712,016	71,795	15,597	116,585	5,770	124,099
1920	1,057,548	707,820	82,728	15,775	121,926	6,068	123,231
1921	1,029,781	705,957	78,439	15,768	114,522	6,030	109,065
1922	1,030,042	708,003	85,609	15,852	105,011	6,028	109,539
1923	1,018,446	699,471	82,642	15,903	102,852	6,181	111,396
1924	1,006,434	691,260	79,089	15,969	101,045	6,187	112,884
1925	1,003,312	686,370	79,248	16,027	100,452	6,291	114,924
1926	1,007,867	680,158	85,538	16,084	100,693	6,659	118,735
1927	1,034,194	686,565	90,293	16,142	110,866	7,214	123,114
1928	1,054,860	687,773	93,630	16,199	123,393	7,460	126,405
1929	1,071,569	690,249	95,633	16,262	131,744	7,578	130,103
1930	1,053,008	687,277	90,328	16,209	121,087	7,153	130,954
1931	1,029,316	689,657	80,416	16,164	112,429	6,236	124,414
1932	1,003,970	690,803	72,390	15,694	98,633	5,351	121,099
1933	990,004	693,123	64,169	15,263	93,362	4,888	119,199
1934	998,135	698,655	58,061	14,815	98,460	4,526	123,618
1935	1,012,436	701,548	61,483	14,807	105,639	4,634	124,325
1936	1,025,232	704,810	65,033	13,985	109,146	4,829	127,429
1937	1,044,236	703,763	71,261	13,564	115,585	4,991	135,072
1938	1,039,464	695,512	71,573	13,139	115,818	5,161	138,261
1939	1,035,982	694,977	67,516	12,594	118,264	5,305	137,326
1940	1,054,341	699,758	70,089	12,149	123,744	5,310	143,291
Annual Averages							
First Half ..	1,032,720	695,967	84,059	15,962	111,735	6,497	118,500
Second Half ..	1,026,011	696,353	70,211	14,398	110,197	5,308	129,544
Full Period ..	1,029,365	696,160	77,135	15,180	110,966	5,902	124,022

Table B. Withdrawals in Canada by the Six Main Groups, 1919 - 1940

\$ 000

Year	Total	Primary Production and Processing	Secondary Production n.e.s.	Transportation and Communication	Trade	Finance	Service
1919	1,204,360	758,468	96,010	18,219	177,977	10,288	143,398
1920	1,339,942	827,438	137,824	18,225	188,884	10,363	157,208
1921	1,109,870	671,179	115,671	18,208	159,479	10,615	134,718
1922	1,024,152	592,296	118,200	18,516	153,142	10,659	131,339
1923	1,039,049	617,225	112,759	18,328	144,661	10,683	135,393
1924	1,011,321	599,552	105,971	18,371	138,193	10,984	138,250
1925	1,015,348	604,453	103,249	18,603	134,908	11,038	143,097
1926	1,044,979	622,347	109,020	18,395	132,951	11,507	150,259
1927	1,091,939	644,821	112,890	19,202	144,093	12,325	158,608
1928	1,127,734	656,148	115,835	19,547	157,126	12,914	166,164
1929	1,151,119	665,056	117,776	19,633	163,472	13,517	171,663
1930	1,058,339	607,299	107,499	19,384	142,678	12,523	168,956
1931	370,761	462,037	95,139	18,897	126,772	11,189	156,677
1932	726,259	364,497	80,324	17,786	107,063	10,175	146,412
1933	686,282	348,317	69,509	16,843	99,193	9,999	142,421
1934	713,544	369,686	67,808	16,149	103,071	9,929	146,901
1935	754,490	391,934	74,124	15,986	111,975	10,327	150,144
1936	799,937	415,219	80,414	16,057	119,840	10,941	157,466
1937	866,138	446,024	93,777	16,076	129,205	11,172	169,884
1938	884,608	453,103	96,594	16,102	131,926	11,387	175,496
1939	907,652	472,818	96,641	16,271	135,468	11,196	175,258
1940	988,510	518,239	109,199	15,975	149,110	10,090	185,897
Annual Averages							
First Half	1,105,438	659,908	113,200	18,704	154,081	11,354	148,191
Second Half	841,502	440,834	88,280	16,866	123,300	10,812	161,410
Full Period	973,470	550,371	100,740	17,785	138,690	11,083	154,800



SECTION II. NATIONAL INCOME

Numbers and Remuneration of Working Proprietors

The best statistics of the numbers of working proprietors are obtainable from the industrial section of the decennial census. The totals for 1931 were given on an occupational footing in Volume VII, Table 50, pages 558 - 597. Results by the industrial grouping system were compiled in full for the period in question from an unpublished table furnished by the Census Branch. The status classification which distinguishes between employers and "own accounts" is useful in connection with the estimation of remuneration rates.

The final tabulation of the numbers of gainfully occupied by status classes according to the industrial classification for 1941, is in process at the time of writing. A considerable body of advance data has been published in census bulletins during the last three years. The results given in Table A are based mainly on the census returns for 1921 and 1931 with interpolation and projection for other years. The estimates of numbers for intercensal years are based on the fluctuations in smoothed indexes of employment or the numbers of establishments as given by annual census reports.

A working proprietor may receive his remuneration in several alternative ways. He may arrange to have his income placed on the payroll; make a withdrawal, perhaps of varied amounts, at irregular intervals; or strengthen the financial position of the business by neglecting to withdraw within a given period any remuneration whatsoever.

The rate of withdrawal is difficult to estimate. The general plan is to assume that the average remuneration of the working proprietor will bear a rough relationship to that of the employees engaged in the same industry. It was discovered that the salary-wage rate tended to vary according to the age of the recipient. Working proprietors <sup>normally</sup> have a greater average age than that of employees in the same industry and geographic sector. This characteristic was appraised according to the relationships of the census period of 1930-31. A second plan was to place the remuneration of "own accounts" at the same rate as employees, assigning employers a remuneration of 150 per cent of the salary-wage rate. The rate paid to managers was noted when such information was available through the occupational section of the decennial census. As a fourth measure, cognizance was taken of the margin of the remuneration rate of the working proprietors over that of the employee according to the reports on national income in the United States.

The final rates were determined by averaging the results obtained by the four above-mentioned plans and the proprietor rate in 1920 was determined by assuming that the margin over the employee rate was proportionately the same as in 1930. Interpolation and projection were accomplished by means of indexes of wage rates and other pertinent data. The withdrawals, estimated for nineteen groups, were taken as the product of the numbers and rates.

The withdrawals of working proprietors constituted nearly one quarter of the flow of money from productive enterprise to individuals in return for participation in the productive process. This compares with 58 per cent paid in the form of salaries and wages, or 61 per cent, providing supplemental payments to the employee class such as "no pay" living allowances and workmen's compensation for injuries were included.

The trend of withdrawals was downward during the 22 years under review. An index on the base of 1935-39 recording the trend receded from 138.6 in 1919 to 92.4 in 1940. As the numbers were well maintained throughout the period

the decline in remuneration was due to the drop in the rate. The fluctuation in the number of working proprietors was remarkably small, the mathematical variation in the numbers being less than is found in the vast majority of economic factors. Stability characterized the size of the status class, only minor changes having been shown in trend or fluctuation.

Withdrawals vary greatly from one industrial group to another. They assume greatest importance in agriculture, service and trade. The withdrawals of the primary producers of Canada during the period were estimated at \$550.4 million per year, or 56.5 per cent of the total for all industries. The service group, including those engaged in professional activities, distributed 15.9 per cent, while trade occupied third place with a distribution of 14 per cent. Other groups, notably construction and manufactures paid considerable amounts to their working proprietors in the form of withdrawals. Such income was estimated for six of the seven major groups, Government being excepted. The dividing line between the working proprietor, on the one hand, and the corporate officer and member of the board of directors on the other is not clearly drawn, but the aim of the present statement was to restrict withdrawals to the unincorporated section of productive activities. Withdrawals, consequently, are important for but a few of the industrial groups included in the country's economic system. Most industries are organized largely on the principle of separation of ownership from active participation in the process of production.

The prosperity of enterprisers over a period is dependent on conditions in the main industries from which the income is derived. The severe depression in primary industries, notably agriculture, accounted mainly for the declining trend of withdrawals during the twenty-two years. The setback in the grand total from the first half of the period amounted to about 24 per cent, the average of \$1,105 million having declined to \$842 million. Among the commodity-producing activities, advances in mining, manufactures and repair work failed by a wide margin to counterbalance the declines in other industries. The reduced return for the personal activities of farmers made up a large part of the general decline. The withdrawals of the trade group declined 20 per cent from \$154 million per year to \$123.3 million. Financial activities are mainly carried on by incorporated companies, withdrawals in relatively small amount being calculated for real estate and stock and bond brokers. The rise in the average return to professionals and working proprietors in "other service" was contrary to the prevalent trend. In view of these developments, withdrawals were of less relative importance as an income flow in the second half of the period than in the first, the decline being from 24.8 per cent of income payments to 19.5 per cent.

The process of production, interpreted in a broad sense, is the centre of the nation's activities. The creative influences consist of man himself, the active principle in production, and the material environment which he uses or works upon in the enterprise. The human forces are broadly divisible, according to their functioning, into two groups, employees and working proprietors or enterprisers. The latter group occupies the pivotal position in the economic system. Their function is to initiate productive activities, co-ordinating labour and capital into a combination for the production of goods and services. They are responsible for the employment of men and capital, engaging them in profitable ways of meeting human needs.



Chart A. - Number of Working Proprietors, 1919 - 1940

Number of  
Working  
Proprietors  
(Million)

Rate  
per year  
(Dollars)

1.5

1,500

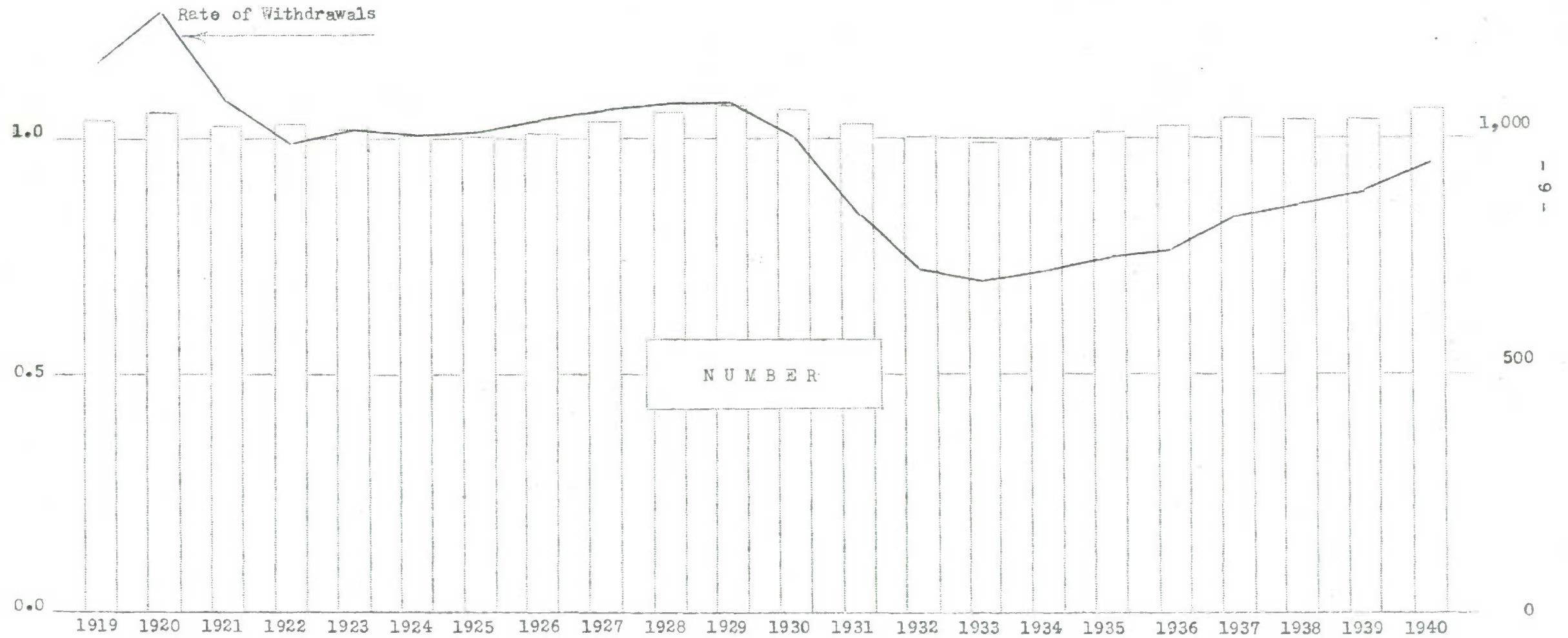
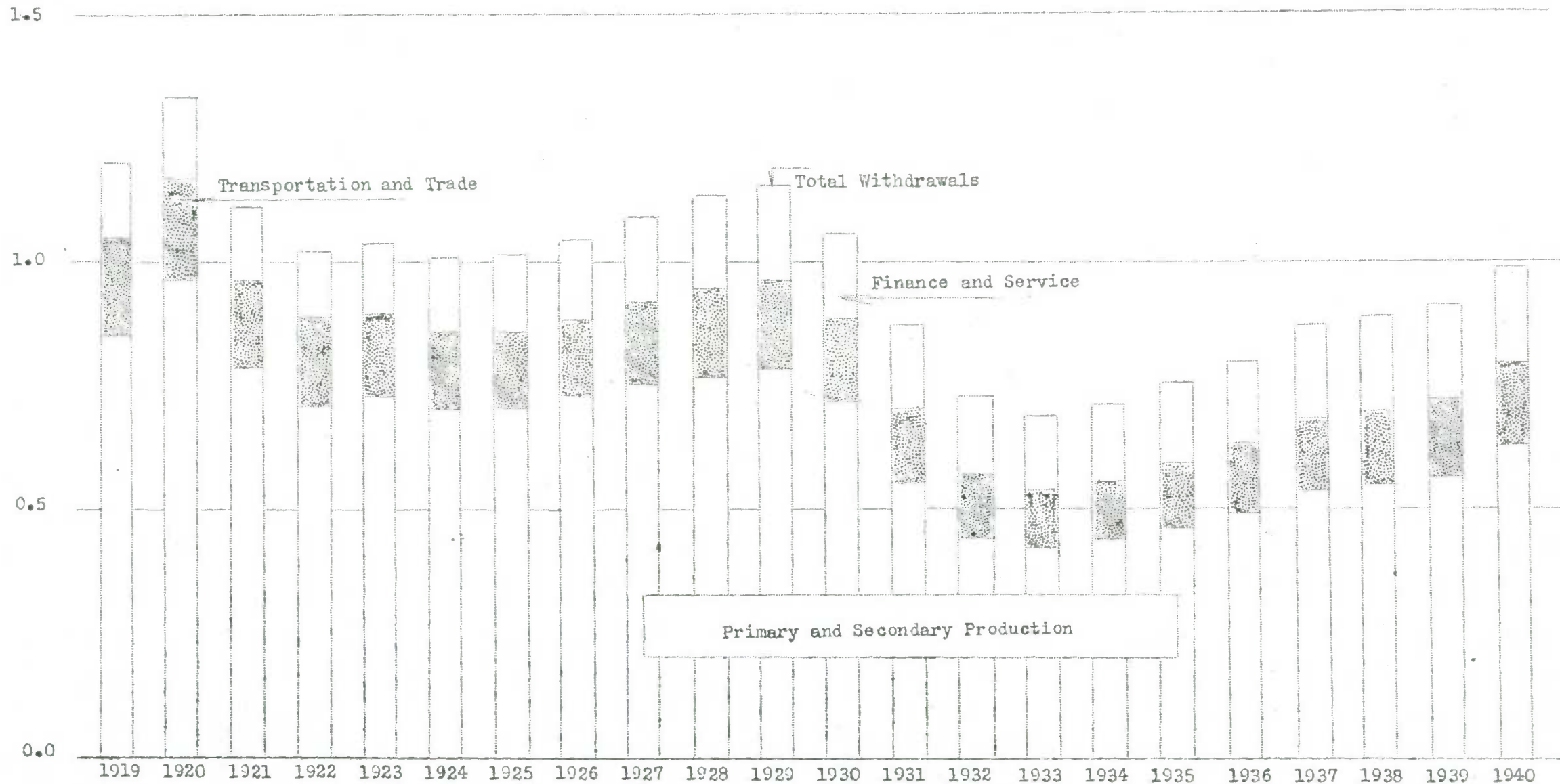


Chart B. - Withdrawals of Working Proprietors, 1919 - 1940

Billion  
Dollars



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