

DOMINION BUREAU OF STATISTICS - OTTAWA
BUSINESS STATISTICS BRANCH

Volume XI	Ottawa, July, 1944	No. 5
Dominion Statistician:	S. A. Cudmore, M.A. (Oxon.), F.S.S., F.R.S.C.	
Chief, Business Statistics Branch	Sydney B. Smith, M.A.	

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

SECTION I. ECONOMIC CONDITIONS

Six major factors indicating the trend of economic conditions averaged higher during the first five months of 1944 than in any other similar period. Productive operations and the deposit liabilities of the banks rose to a new high position in history. Wholesale prices having passed through the line of parity with the base year of 1926 were at a higher position than at any time since the 1920's. The advance since the beginning of the war especially to November, 1941, was pronounced. An upward trend of moderate proportions has been indicated since that time. The marked reaction between 1929 and 1933 has consequently been more than counterbalanced. The index of wholesale prices averaged 102.7 in the first five months against 98.3 in the same period of 1943.

While common stock prices recorded an advance in recent weeks the average for the first five months was less than 1 per cent greater than in the same period of 1943. The average of the index on the base of 1935-1939 was 80.8 against 80.1 in the same period last year. Dominion bond prices were markedly stable during the period under review. The index of Dominion bond yields was slightly lower in the first five months, indicating a somewhat higher price level.

The deposit liabilities of the banks rose to a new high point at the beginning of May, the total having been \$4,506 million. During May the demand deposits receded from \$1,987 million to \$1,711 million, while the notice deposits dropped from \$2,254 million to \$2,094 million. The decline in the two classes of deposits was due in large measure to the heavy payments on the 6th Victory Loan. The increase in bank deposits was pronounced from the outbreak of hostilities to the present time.

Productive operations as measured by the index of the physical volume of business recorded an increase of more than 5 per cent over the same period of 1943. The index averaged 242.2 against 230.7. The index recorded expansion over each of the first five months but the maximum shown in December at 248.8 has not been exceeded. Each of the five main components of the general index recorded advances in this comparison. The gain in the index of mineral production was 5.4 per cent despite the decline in the gold receipts at the Mint and in coal production. The index of manufacturing production was 2.7 per cent greater, the standing in the first five months of 1944 having been 297.2. A considerable gain was recorded in the operations of the meat-packing industry, the increase in hog slaughterings having been 62.6 per cent. The output of factory cheese was at the high level of 35.6 million pounds against 27.1 million. The release of cigarettes and cigars continued at a high level, but a slight recession was shown from the first five months of 1943. The release of cigarettes was 4,592 million while 83.7 million cigars were made available.

The primary iron and steel industry operated at high levels, the output of steel ingots having shown an increase of 1 per cent, while in pig iron production a gain of 9.4 per cent was recorded. Newsprint production was 1,234,000 tons a gain of 4 per cent over the same period of last year.

A marked gain was recorded in the new business obtained by the construction industry, contracts awarded in the first five months having been 41.4 per cent greater than in the same period of 1943. The gain in building permits was 73.5 per cent. For the first half of 1944 contracts awarded amounted to \$152.7 million, almost 50 per cent greater than the \$102 million placed during the same period of 1943.

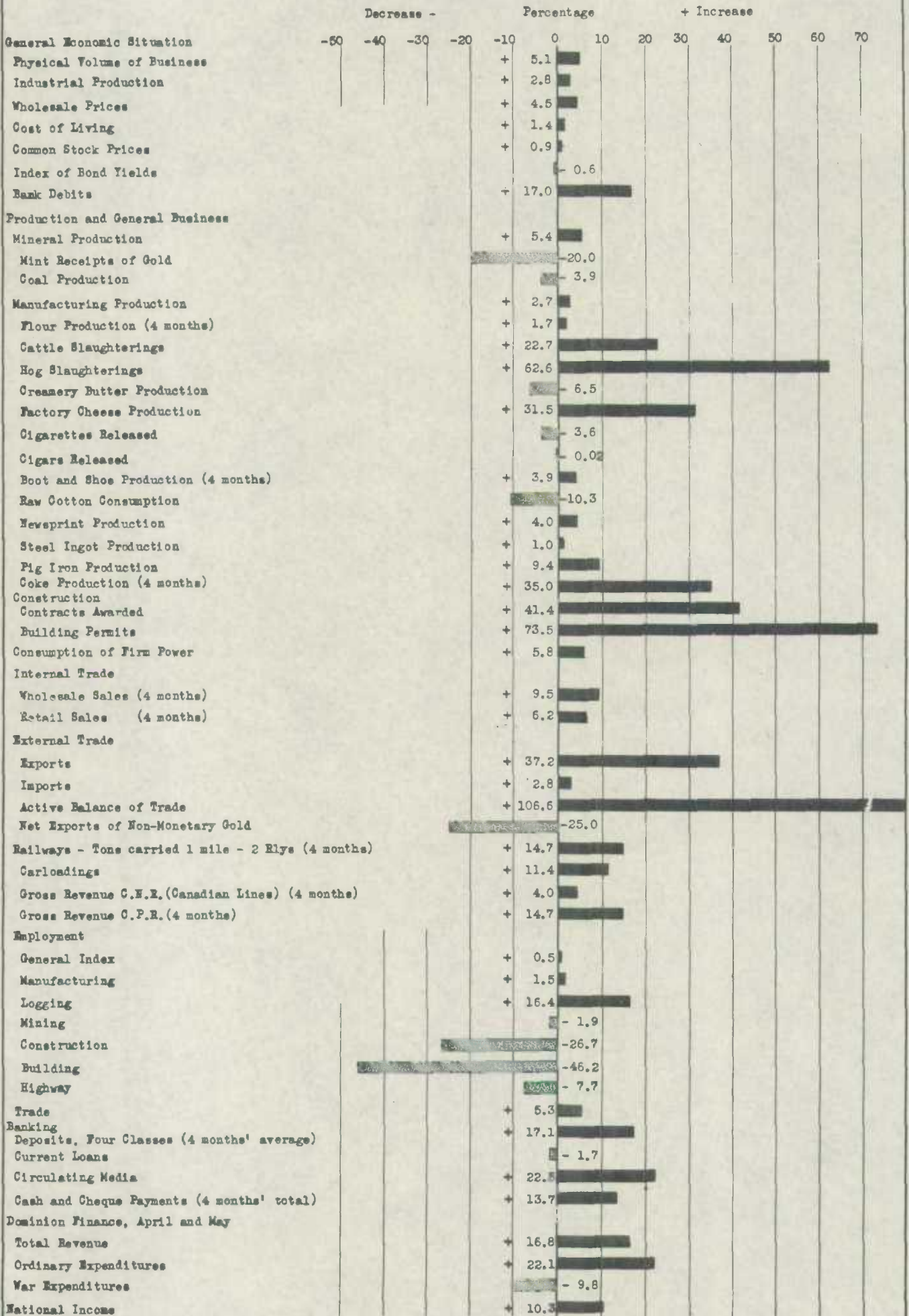
Electric power production was 3,585 million kilowatt hours in May against 3,503 million in the same month last year. Gains were recorded month by month from January to May over the same period of last year. The distribution of commodities through wholesale and retail outlets recorded considerable increase in the present year over the same months of 1943. The index of wholesale sales during the first four months averaged 170.6 against 155.8, a gain of 9.5 per cent. The increase in retail sales was about 6.2 per cent, the index averaging 153.4.

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

THE ECONOMIC SITUATION IN CANADA

for the First Five Months of 1944

as compared with the same period of last year



Dominion Bureau of Statistics

Fourteen items recorded decline, while thirty-nine showed increases.

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

	Unit of Base Period	First Five Months		Per Cent	
		1944	1943	Increase +	Decrease -
General Economic Situation					
Index of Physical Volume of Business	1935-39=100	242.4	230.7	+	5.1
Index of Industrial Production	1935-39=100	274.3	266.7	+	2.8
Wholesale Prices	1926=100	102.7	98.3	+	4.5
Cost of living	1935-39=100	119.0	117.4	+	1.4
Index of Common Stock Prices	1935-39=100	80.8	80.1	+	0.9
Index of Bond Yields	1935-39=100	97.3	97.9	-	0.6
Bank Debits	\$ 000	24,707,660	21,117,778	+	17.0
Production and General Business					
Mineral Production					
Gold Receipts at Mint	Fine Ozs.	1,295,115	1,619,495	-	20.0
Coal Production	Tons	7,161,254	7,448,523	-	3.9
Manufacturing Production					
Flour Production (4months)	Bbls.	8,344,742	8,204,158	+	1.7
Cattle Slaughtering	No.	763,370	622,013	+	22.7
Hog Slaughtering	No.	4,456,416	2,740,710	+	62.6
Creamery Butter Production	lbs.	89,662,220	95,844,824	-	6.5
Factory Cheese Production	lbs.	35,621,150	27,073,917	+	31.5
Cigarettes released	No.	4,592,278,797	4,766,022,332	-	3.6
Cigars released	No.	83,661,482	83,677,248	-	0.02
Leather Boots and Shoes (4 months)	Pairs	10,140,191	9,764,149	+	3.9
Raw cotton consumption	lbs.	72,046,746	80,339,205	-	10.3
Paper and Lumber -					
Newsprint Production	Tons	1,233,575	1,185,825	+	4.0
Iron and Steel -					
Steel Ingot Production	Short Ton	1,271,833	1,259,652	+	1.0
Pig Iron Production	Short Ton	787,624	719,900	+	9.4
Coke Production (4 months)	Short Ton	1,370,608	1,015,131	+	35.0
Construction -					
Contracts awarded	\$	115,421,700	81,648,100	+	41.4
Building Permits (58 municipalities)	\$	35,794,589	20,633,620	+	73.5
Consumption of firm power	000 K.W.H.	15,225,338	14,397,476	+	5.8
Internal Trade -					
Wholesale Sales (4 months)	1935-39=100	170.6	155.8	+	9.5
Retail Sales (4 months)	1935-39=100	153.4	144.4	+	6.2
External Trade -					
Exports	\$ 000	1,422,729	1,036,964	+	37.2
Imports	\$ 000	712,050	692,923	+	2.8
Active Balance of Trade	\$ 000 +	710,679	+ 344,041	+	106.6
Net Exports of Non-Monetary gold	\$ 000,000	49.1	65.5	-	25.0
Railways - Tons carried 1 mile -					
(4 months) 2 Rlys.	000,000 tons	18,965	16,538	+	14.7
Carloadings	No.	1,475,903	1,324,509	+	11.4
Gross Revenue C.N.R. (Canadian Lines)					
(4 months)	\$	122,982,800	118,268,800	+	4.0
Gross Revenue C.P.R. (4 months)					
	\$	100,804,707	87,856,683	+	14.7
Employment - Unadjusted					
General Index	1926=100	181.9	181.0	+	0.5
Manufacturing		225.8	222.5	+	1.5
Logging		241.2	207.3	+	16.4
Mining		157.9	160.9	-	1.9
Construction		90.2	123.0	-	26.7
Building		94.2	175.2	-	46.2
Highway		93.5	101.3	-	7.7
Trade		161.6	153.4	+	5.3
Banking -					
Deposits four Classes(4 months'average)	\$000	4,340,971	3,706,894	+	17.1
Current Loans	\$000	947,631	964,049	-	1.7
Circulating Media	\$ 000,000	868.8	709.1	+	22.5
Cash & Cheque Payments (4months' total)	\$000,000	25,049	22,024	+	13.7
Dominion Finance - April and May					
Total Revenues	\$	447,190,985	382,908,371	+	16.8
Ordinary Expenditures	\$	102,988,038	84,329,243	+	22.1
War Expenditures	\$	372,567,249	413,072,448	-	9.8
United Nations Mutual Aid	\$	68,913,385	-	-	-
National Income (Tentative Computation)	\$ 000,000	3,710	3,364	+	10.3

Fourteen items recorded declines, while thirty-nine showed increases.

1. OPERATING ACCOUNTS OF PRIMARY PRODUCTION AND PROCESSING, 1942.

\$000

		Agriculture (a)	Forestry (b)	Fisheries (c)	Trapping (d)	Mining (e)	Electric Power (f)	Total (g)
Salaries and wages	(1)	95,483	207,580	16,302	712	198,550	34,286	552,913
No pay allowances	(2)	64,064	124	198	-	-	-	64,386
Net dividends	(3)	-	6,885	445	-	96,157	21,436	124,923
Mortgage interest paid to individuals	(4)	19,829	-	-	-	-	-	19,829
Net Interest	(5)	-	9,994	57	-	1,544	35,203	46,798
Withdrawals	(6)	730,528	16,252	27,530	13,939	8,056	-	796,305
Net Payment to individuals	(7)	909,904	240,835	44,532	14,651	304,307	80,925	1,605,154
Positive savings	(8)	414,422	20,412	7,071	-	5,786	27,354	475,045
Income originating	(9)	1,324,326	261,247	51,603	14,651	310,093	118,279	2,080,199

The major group of primary production and processing embraces the activities based upon the development and use of natural resources. Six industries are included in the compilation. Agriculture includes fur farming and the woods operations of the farmer on his own property. Dairy activities are limited to the production of milk, butter and cheese on the farms. Forestry includes the operations of the sawmilling and pulp and paper industries as well as woods operations other than those of the farmer on his wood lot. Fish canning and curing plants, as well as primary operations, are included in the fisheries group. The activities of trappers and hunters constitute the trapping industry to the exclusion of fur farming.

As the final product is the first to which a commercial value is assigned, the processing industries of non-ferrous smelting and refining, cement, clay products, lime and salt are included in mining. The electric power industry coincides with central electric stations as annually reported by the Bureau.

(a) The income originating in agriculture and fisheries is computed by deducting from the gross operating revenues, the sum of the cost of commodities and services obtained from other enterprises and depreciation charges. The contribution of forestry, mining, and electric power consists of the sum of the income payments to individuals and business savings.

(b) Wages paid by farm operators were estimated by the Agriculture Branch of the Dominion Bureau of Statistics. The total was based on returns from crop correspondents. Salaries and wages paid in the processing phases of forestry and fisheries are given in annual census reports. The remuneration of employees in woods operations other than on farms, primary fishing and trapping are based mainly on decennial census returns with interpolation according to data prepared annually by the Forestry and Animal Products Branches of the Bureau. The pay-rolls of the mining and electric power groups are taken directly from annual census reports.

(c) The living allowances of so-called unpaid labour occupied on farms were derived from annual and decennial census data. The numbers were obtained from the decennial census of 1941. The board allowances of farm labourers was useful in estimating the rates of remuneration. The numbers were interpolated by means of an index of the area of field crops. "No pay" allowances were also estimated for primary forestry and fisheries.

(e) and (f). Net dividends and interest on bonds and debentures were collected for forestry, fisheries, mining and electric power. The basic data were obtained by means of a questionnaire sent to the operating firms supplemented by information for large firms obtained from the Research Department of the Bank of Canada. The results are given without deduction of the international balance on dividends and interest, that is, the excess of the entire outward payments over the receipts of Canadian residents holding securities of other countries.

(g) The number of farm operators was given by the industrial division of the decennial census for the year 1941. The rates were established at a differential over the wage rate. Withdrawals were also estimated for other industries in the group, except electric power. Income payments to individuals is the sum of lines (2) to (7).

(h) The positive savings, except in fisheries and agriculture, were obtained through the above-mentioned questionnaire, and, in the case of electric power, an additional source of information was reports of Provincial and Municipal Hydro-Electric Commissions.

AGRICULTURE

The place of agriculture in the Canadian economy is fundamental in many respects. Favoured by outstanding natural resources, the industry has contributed in full measure to the present structure of Canadian life.

A large proportion of the material required to estimate the income of farm operators, including cash sales, inventory changes, income in kind, and expenses, has been furnished in detail by the Agriculture Branch of the Dominion Bureau of Statistics, and a detailed statement of sources and methods in this connection will shortly be made available. Information with regard to bonuses and other governmental payments to farmers, including payments under the Wheat Acreage Reduction Plan, Prairie Farm Income Act and Prairie Farm Assistance Act were furnished in part by the Agricultural Economics Branch of the Department of Agriculture.

The plan adopted was to deduct from the sum of each income from sales, income in kind, including imputed rents, changes in farm grain and livestock inventories and governmental payments not included elsewhere, the expenses of operation, exclusive of wages and mortgage interest going to individuals, which are considered as distributive payments rather than expenses.

Imputed rents on farm dwellings were included in the revenues in accordance with the method adopted by the Bureau. Subsidies paid to agriculture, amounting to about \$88 million in 1942, were included directly in the case of cash bonuses, etc. and, indirectly where the effect of the subsidy was to increase reported prices or decrease expenses. Farm grain and livestock accumulations in 1942 were substantial, amounting to over \$388 million.

FORESTRY

The plan adopted in regard to the computation of income originating in forestry was the summation of payments to individuals and the savings of working proprietors and incorporated companies. The number of employees engaged in primary forestry was placed at 83,120 in 1941, being based on material furnished by the Forestry Branch. This amount excludes the operations of farmers working part time in the woods. Corresponding data are not yet available for 1942. Consequently, the index of employment in logging published by the Employment Branch of the Bureau was used to extend the number. The employment index rose from 187.8 in 1941 to 196.5 in 1942, resulting in an estimate of 86,971 employees in logging.

The annual full-time rate was placed at \$924 in 1941. The index of the rate of wages in logging and sawmilling combined, advanced 11 p.c. in 1942 from the preceding year and the corresponding increase was attributed to the fulltime rate in the national income calculations, placing the total for 1942 at \$1,016. The product of the estimated number and rates gave the wages paid in 1942 as \$88,362,000.

The annual Census of Industry gave the total of salaries and wages paid in sawmilling establishments in 1942 at \$49,562,000, the total for the pulp and paper industry being reported at \$69,656,000.

The preliminary estimate of the Census Branch placed the number of working proprietors engaged in logging at 5,000 in 1941 and the same estimate was used for 1942. The rate was placed at 11 p.c. over 1941. The estimated withdrawals were, therefore, 5,000 multiplied by 1.11 x \$1,186, equalling \$6,582,000.

The number of working proprietors in the secondary division of the forestry industry was extrapolated from 1931 on the basis of the number of establishments reporting. An extension of this process gave the number in 1942 as 3,037. The numbers having been multiplied by the estimated rate, the extended withdrawals were estimated at \$9,670,000. The living allowances of no-pays in the forestry operations were placed at \$124,000, unchanged from the preceding year. A questionnaire distributed to the corporations operating in forestry gave for the year 1942 net dividends of \$6,885,000 and interest of \$9,994,000. These totals consisted of the difference between payments and receipts by the firms operating. The positive or negative savings resulting from the same enquiry were \$11,937,000 and the savings of working proprietors were estimated at \$8,475,000. The net result of the computation described above was an amount of \$261,247,000 as income originating in forestry.

FISHERIES

The fisheries industry as contemplated here, consists of the primary and secondary division. The statistics of the catch and of the products marketed in the fresh or prepared state are collected by the local fishery officers, verified by the Dominion or Provincial departments, and co-ordinated and compiled by the Animal Products Branch of the Bureau. The sum of the value of the fisheries and the cost of fish used in factories is regarded as the gross revenue of the industry. The former is given historically in Table 15 on page 45 of the Bureau report on Fisheries Statistics, 1941. The totals include the value of fish sold by fish canning and curing plants as well as the sales of fishermen, other than to such processing establishments.

The cost of fish used by the secondary phase of the industry is presented in Part 2 of the same report. The sum of the value of the fisheries shown in Table 7 and the cost of fish used as recorded in Part 2 (a), pages 184 to 185 is regarded as the gross revenue of the industry. Deducting the cost of materials, fuel and electricity from the gross revenue, we have the value added. The cost of materials and fuel and electricity are taken from Part 2 (a) and (c). The percentage of miscellaneous expenses to the net revenue was determined by a study of collected data by the manufactures census. The breakdown for the period was as follows: office rent, insurance, taxes, royalties, advertising, repairs, travelling and sundry. The average ratio to the net value of factory output was 7 p.c. The capital equipment for primary operations consists of vessels, boats, nets, traps, piers, wharves and other durable equipment. The depreciation rate in view of heavy losses by storms was placed at 16 p.c. Six p.c. of the value of the land, buildings, machinery and tools utilised by the fish processing plants gives the depreciation for the secondary division.

The difference between the gross national product and the depreciation summated for both phases of the industry is regarded as the income originating. The net dividends and interest were obtained by an enquiry sent to incorporated firms. The statistics of salaries and wages and no-pay allowances were computed from information given in the report on Fisheries for 1942. The remuneration of working proprietors in primary fisheries was based partly on the numbers as given in the decennial census reports. The extrapolation was affected by means of the total number of fishermen reported in the "Fisheries Statistics". The employee rate, the computation of which is described above, was also used in this connection. The number of working proprietors in fish curing and packing plants was also based on decennial census results for abutments, extrapolation being affected by means of the number of establishments. The income originating in the fishery industry was placed at \$51,603,000 for the year 1942.

TRAPPING

While at present one of the smallest of the industrial groups, trapping has a background of great historical significance. The fur trade of Canada had an important bearing on the whole process of exploration and settlement.

The annual survey of raw fur production as communicated by licensed fur traders was inaugurated in 1920 by the Dominion Bureau of Statistics. In later years the reports have been based on records of royalties, exports, taxes and so forth, made available by the provincial and territorial game departments. The fur trade draws its supply of Canadian pelts from both the wild life resources and the fur farms, the latter being operated under provincial licenses and according to provincial regulations. As the operations of fur farms cannot be readily segregated for the most part from farming generally, it was decided to regard such activities as a part of the agricultural industry. The gross value of production was obtained by deducting the value of the pelts sold from fur farms from the total value of fur production during the fur year terminating at the end of the next June. The difference indicated for Prince Edward Island was arbitrarily reduced as the derived value given for the wild life was believed excessive. The Dominion total was correspondingly reduced giving effect to the adjustment. The residuals were regarded as the gross value of production, a starting point in estimating the income originating in the trapping industry.

General expenses were roughly estimated as a percentage of the gross revenue. No allowance was made for depreciation, and the gross national product, obtained by deducting the general expenses from the net revenue, was consequently regarded as equivalent to the income originating. As the gross revenue was placed at \$20,060,000 in 1942 the income originating in trapping was computed at \$14,651,000.

MINING

The annual census of mineral production conducted by the Dominion Bureau of Statistics is the main source of basic data in determining the income originating in mining. The principal statistics and considerable information regarding the operations of the mining concerns were collected by the Mining, Metallurgical and Chemical Branch for 1942.

The number of persons gainfully occupied in mining was reported by the decennial census of 1941 under the industrial classification as 100,666. Deducting 7,140 on active service, the net working force was 93,526. As there are very few no-pays in this industrial group, the difference between the number of gainfully occupied and the number of wage-earners, actively engaged at 3,690 was taken to be the number of employers and "own accounts".

The number of operating mines in the industry as reported by the annual census declined from 13,149 in 1941 to 12,897 in 1942, that is, about 2 per cent. It was assumed that the number of proprietors declined in a similar proportion, the total for 1942 having been estimated at 3,616. The rate for the status class was based on the per capita remuneration established in 1930-31, extrapolation having been by means of a smoothed version of the salary-wage rate. Years subsequent to 1941 were varied directly with the salary-wage rate. The withdrawal rate in 1942 having been placed at \$2,223, the withdrawals of working proprietors amounted to \$8,056,000.

Investment income consisting of net dividends and interest was obtained by an enquiry sent to the incorporated companies operating in this field. The addition to surplus after the payment of dividends was also obtained from the questionnaire. The computation of the savings of working proprietors followed the general method.

ELECTRIC POWER

The operating accounts of the electric power industry were derived from the statistics appearing in the annual report on the Central Electric Stations in Canada, from an enquiry sent to the incorporated companies in the industry, and from a study of the accounts of provincial and municipal utilities. The salaries and wages were reported at \$34,286,000 in 1942 by the Transportation and Public Utilities Branch of the Bureau.

The returns filed by corporations indicated that net dividends amounted to \$21,436,000. The result was obtained by deducting the receipts of the companies in question from the payments. The net interest of \$35,203,000 was obtained by adding the results of the questionnaire and of the totals compiled from the accounts of the hydro-electric systems of provinces and municipalities. Payments to individuals are the total of occupational and investment income discussed above. The positive or negative savings were compiled from the above-mentioned questionnaire and from the statement of the Provincial and Municipal Hydro-Electric Commissions.

A. INCOME ORIGINATING IN PRIMARY PRODUCTION AND PROCESSING

1942



\$1,324,326,000



\$261,247,000



\$310,093,000



\$51,603,000



\$14,651,000



\$118,279,000

B. INCOME ORIGINATING IN PRIMARY PRODUCTION, BY DISTRIBUTIVE SHARES

1942

SALARIES AND WAGES
26.6 p.c.

\$552,913,000

NO PAY ALLOWANCES
3.1 p.c.

\$64,386,000

NET
DIVIDENDS
6.0 p.c.

\$124,923,000

MORTGAGE
INTEREST
1.0 p.c.

\$19,829,000

BOND
INTEREST
2.2 p.c.

\$46,798,000

WITHDRAWALS
38.3 p.c.

AGRICULTURAL

OTHER

\$796,305,000

POSITIVE SAVINGS
22.8 p.c.

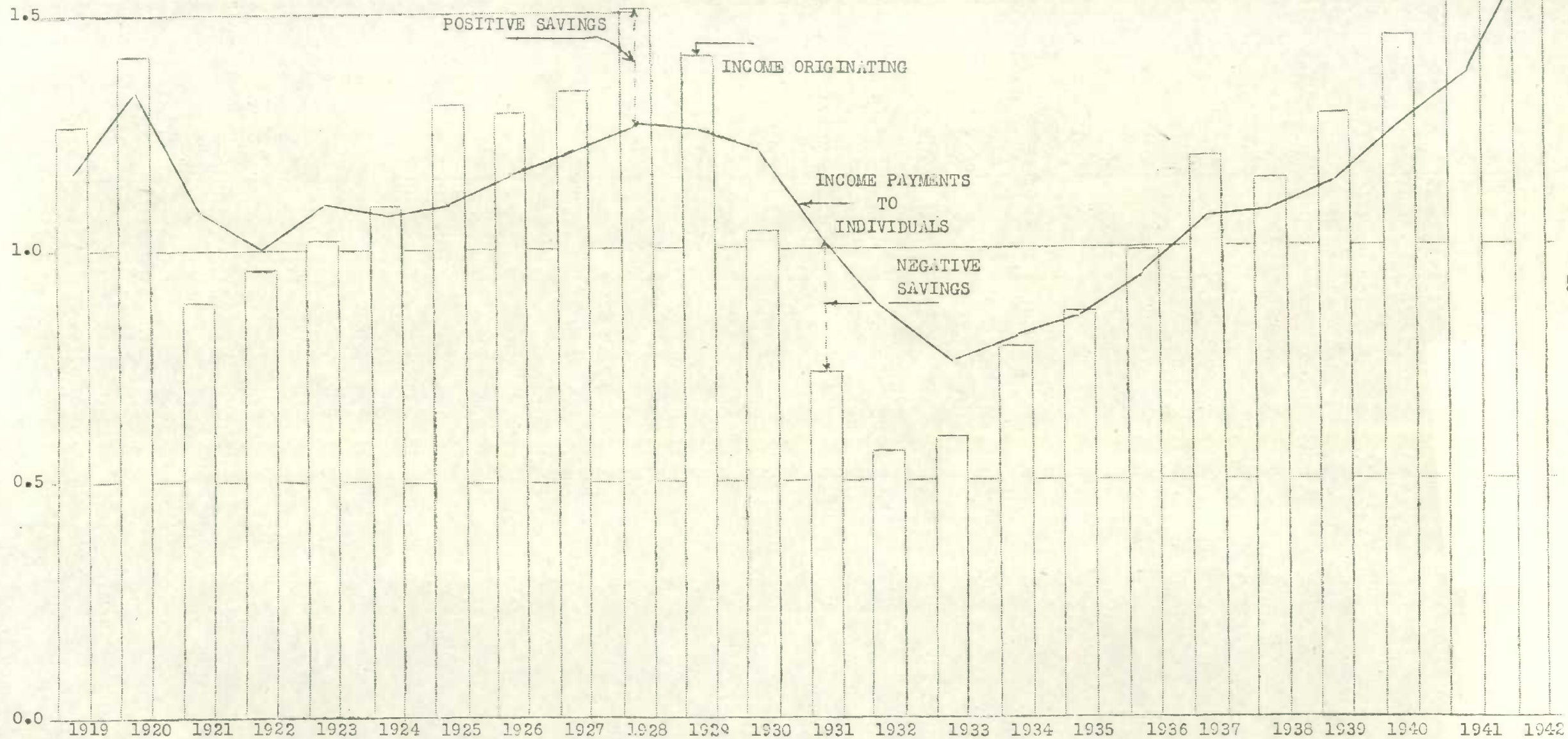
\$475,045,000

C. INCOME ORIGINATING AND PAYMENTS TO INDIVIDUALS

PRIMARY PRODUCTION AND PROCESSING

2.08

BILLION DOLLARS



STATISTICS CANADA LIBRARY
BIBLIOTHÈQUE STATISTIQUE CANADA



1010690672

3

