

DOMINION BUREAU OF STATISTICS - OTTAWA

BUSINESS STATISTICS BRANCH

---

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 HALF OF 1944  
COMPARED WITH THE SAME PERIOD OF 1943.

SECTION 1. ECONOMIC CONDITIONS

Six important factors indicating the trend of economic conditions averaged higher in the first half of 1944 than in any other similar period. Productive operations were at an historical maximum in the first half of the year, the index of the physical volume of business showing an increase of more than 5 per cent over the same period of last year. The deposit liabilities of the banks rose to a new high point, an upward trend having been shown since the early part of 1933. The advance was accelerated from the outbreak of hostilities and a new maximum was reached at the beginning of June. The four principal classes of bank deposits averaged \$4,433 million in the first half of the present year against \$3,796 million in the same period of 1943, an increase of 17 per cent. The upward trend in wholesale prices in evidence since 1933 resulted in a higher level during the first half of this year than at any time since the 1920's. An index of prices on the base of 1926 averaged 102.7 against 98.4 in the same period of last year, an increase of 4.4 per cent. The index crossed a line of parity with the base year of 1926 during the latter part of 1943, thus counterbalancing the marked decline in wholesale prices, characteristic of the period of 1929 to the early months of 1933.

Dominion bond prices were relatively steady in the first half of 1944, a minor advance having been recorded in long term issues during recent months. An index of bond yields averaged 97.2 in the first six months against 97.8 in the same period of 1943. Speculative factors including common stock prices and trading on the stock exchanges recorded increases in recent months. The index of common stock prices, however, averaged only slightly greater than during the first six months of 1943. The index on the five year pre-war base was 81.3 during the first half of the present year, against 81.1. Speculative trading has recently recorded an increase, the interest of speculators having been stimulated by the advance in stock prices.

Despite the tapering off in recent months the volume of production averaged greater in the first six months than in the same period of last year. Each of the five components of the index of the physical volume of business recorded increases over the first half of 1943. The index of mineral production rose more than 3 per cent to 246.6. The gold mining industry was less active having been affected by the shortage of manpower. Gold receipts at the Mint were 1,515,000 fine ounces against 1,918,000. Coal production receded from 8,795,000 tons to 8,395,000 tons.

Manufacturing production was greater in the first half of the present year, the index rising from 289 to 298, an increase of 3.3 per cent. The meat packing industry recorded marked acceleration, the slaughtering of cattle and hogs reaching a much higher level. The output of factory cheese rose from 54 million pounds to 66.5 million, while the recession of 5 per cent was recorded in creamery butter production. The release of cigars and cigarettes was nearly maintained in the first half of this year. The cigarettes released amounted to 5,527 million compared with 5,541 million. The output of leather boots and shoes rose 4 per cent in the first five months over the same period of the preceding year. Newsprint production at 1,480,000 tons recorded an increase of 2.5 per cent.

The primary iron and steel industry was particularly active for the first half of the present year. The output of steel ingots was 1,513,000 tons, while the pig iron production rose from 867,800 tons to 949,500 tons, a gain of 9.4 per cent. Coke production in the first six months was 31.9 per cent greater at 2,041,000 tons.

The construction industry was more successful in obtaining new business, the contracts awarded having been \$152.7 against \$102 million, a gain of nearly 50 per cent. The total for the seven months was 56.3 per cent greater, contracts awarded in July having been \$32.3 million compared with \$16.2 million in July last year. Building permits in 58 municipalities rose 75 per cent to \$46.5 million.

The consumption of firm power indicating the activity of the central electric stations was 18,058,000,000 K.W.H., a gain of 4.4 per cent. The total in the same period of 1943 was 17,297,000,000 K.W.H.

The distribution of commodities through wholesale and retail outlets showed further expansion in the first half of the present year. The index of wholesale sales at 175.2 recorded a gain of 11.3 per cent. The index of retail sales in the same comparison rose about 10 points to 158.1. A marked expansion was recorded in the export trade, the total in the first six months of the present year having been \$1,769 million, a gain of 38.4 per cent. The increase in imports was of lesser proportions, the total having been \$864.5 million, a gain of 2.9 per cent. A marked gain was consequently shown in the active balance of trade which exclusive of gold amounted to \$904 million in the period under review. The net export of non-monetary gold was \$60 million against \$77.7 million in the first six months of last year.

The expansion in railway traffic in evidence since the outbreak of hostilities was continued during the first six months of the present year. The ton miles on the two principal railways during the first five months were 24,144 million against 21,417 million, a gain of 12.7 per cent. Carloadings rose 9.7 per cent to 1,791,000 cars. The net earnings of the two chief railways were \$63,663,000 against \$66,138,000, recording a decline of \$2,475,000 or 3.9 per cent.

The index of employment was slightly more than maintained in the first half of the present year, the index on the base of 1926 having been 181.7. Considerable increase was shown in logging, while the advance in manufacturing employment was 1.1 per cent. The index of employment in trade rose from 152.9 to 161.6.

The circulating media in the hands of the public consisting of notes and subsidiary coin rose from an average of \$712 million in the first five months of 1943 to \$868 million, a gain of nearly 22 per cent. The increase in the cash and cheque payments was 16 per cent, the total in the first half of the present year having been \$34,085 million.

The total revenue of the Dominion Government rose 16.6 per cent to \$681.4 million during the first quarter of the present fiscal year over the same period of 1943. The ordinary expenditures rose 15.3 per cent to \$172 million. The increase in war expenditures was 3.2 per cent to \$696.1 million. The disbursements under the United Nations mutual aid act was \$85 million during the first quarter of the present fiscal year while no expenditures were made in the same period of 1943.

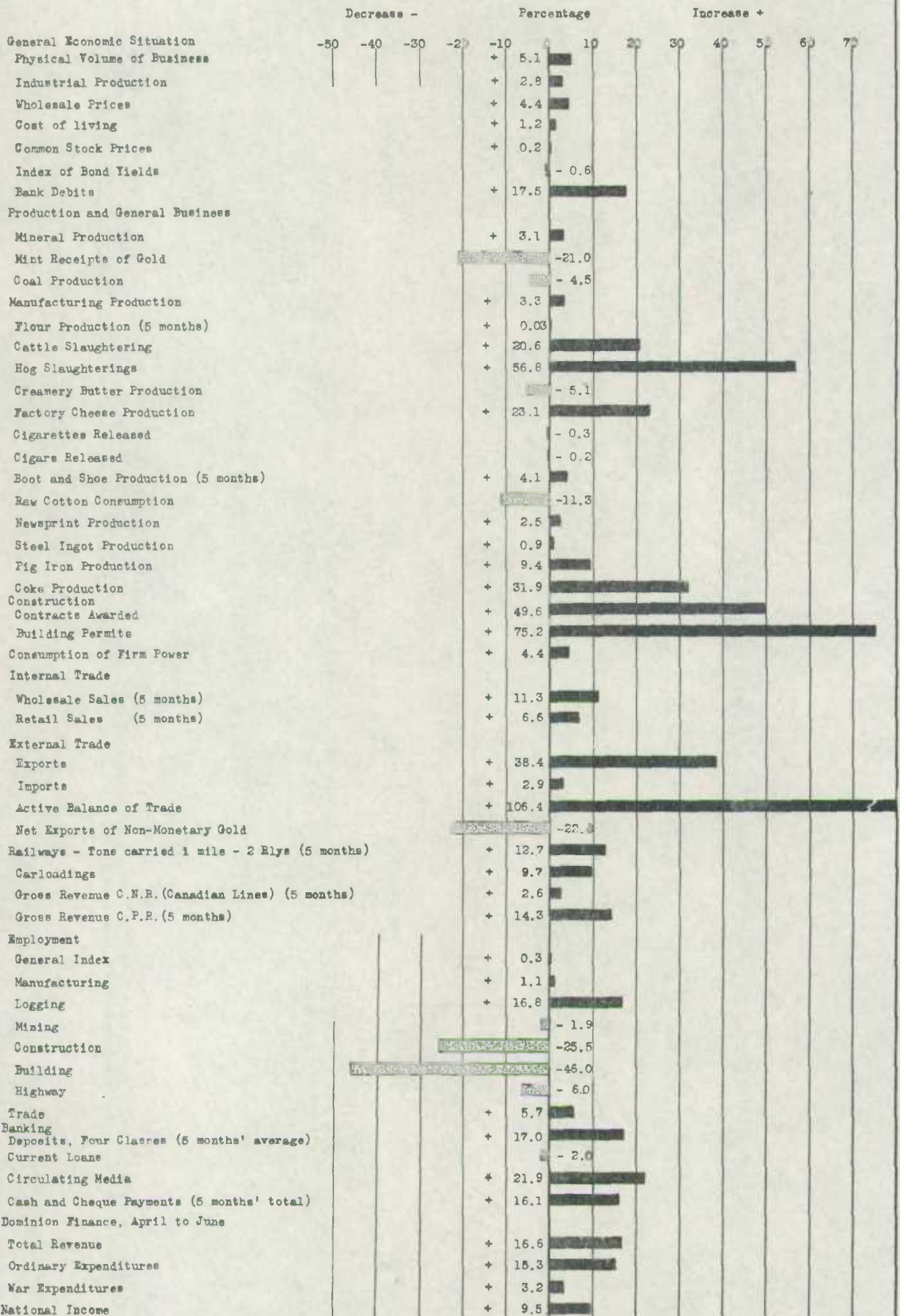
The tentative computation of the national income indicated an increase of 9.5 per cent in 1944 over the preceding year. The total for the first half of the year was placed at \$4,498 million compared with \$4,106 million in the same period of 1943.

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

THE ECONOMIC SITUATION IN CANADA

for the First Six Months of 1944

as compared with the same period of last year



Dominion Bureau of Statistics

Thirteen items recorded declines, while forty showed increases.

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

	Unit or Base Period	First Six Months		Per Cent Increase + Decrease -
		1944	1943	
<b>General Economic Situation</b>				
Index of Physical Volume of Business	1935-39=100	242.7	231.0	+ 5.1
Index of Industrial Production	1935-39=100	274.4	266.8	+ 2.8
Wholesale Prices	1926=100	102.7	98.4	+ 4.4
Cost of living	1935-39=100	119.0	117.6	+ 1.2
Index of Common Stock Prices	1935-39=100	81.3	81.1	+ 0.2
Index of Bond Yields	1935-39=100	97.2	97.8	- 0.6
Bank Debits	\$ 000	29,927,012	25,467,387	+ 17.5
<b>Production and General Business</b>				
Mineral Production	1935-39=100	246.6	239.2	+ 3.1
Gold Receipts at Mint	Fine Ozs.	1,514,517	1,917,911	- 21.0
Coal Production	Tons	8,395,445	8,795,374	- 4.5
Manufacturing Production	1935-39=100	298.2	288.8	+ 3.3
Flour Production (5 Months)	Bbls.	10,307,006	10,304,154	+ 0.03
Cattle Slaughtering	No.	924,608	766,527	+ 20.6
Hog Slaughtering	No.	5,139,300	3,278,122	+ 56.8
Creamery Butter Production	Lbs.	135,193,324	142,395,447	- 5.1
Factory Cheese Production	Lbs.	66,505,766	54,040,536	+ 23.1
Cigarettes released	No.	5,526,985,471	5,541,283,809	- 0.3
Cigars released	No.	99,963,617	100,199,658	- 0.2
Leather Boots and Shoes (5 Months)	Pairs	12,829,403	12,319,621	+ 4.1
Raw cotton consumption	Lbs.	84,675,949	95,515,019	- 11.3
Paper and Lumber -				
Newsprint Production	Tons	1,480,439	1,443,670	+ 2.5
Iron and Steel -				
Steel Ingot Production	Short Ton	1,512,583	1,499,153	+ 0.9
Pig Iron Production	Short Ton	949,523	867,789	+ 9.4
Coke Production	Short Ton	2,041,179	1,547,995	+ 31.9
Construction -				
Contracts awarded	\$	152,737,100	102,126,800	+ 49.6
Building Permits (58 municipalities)	\$	46,509,507	26,543,999	+ 75.2
Consumption of firm power	000 K.W.H.	18,058,298	17,297,452	+ 4.4
Internal Trade -				
Wholesale Sales (5 Months)	1935-39=100	175.2	157.4	+ 11.3
Retail Sales (5 Months)	1935-39=100	158.1	148.3	+ 6.6
External Trade -				
Exports	\$ 000	1,768,716	1,277,762	+ 38.4
Imports	\$ 000	864,529	839,685	+ 2.9
Active Balance of Trade	\$ 000	904,187	438,077	+106.4
Net Exports of Non-Monetary gold	\$ 000,000	60.0	77.7	- 22.8
Railways - Tons carried 1 mile -				
(5 Months) 2 Rlys.	000,000 tons	24,144	21,417	+ 12.7
Carloadings	No.	1,791,060	1,633,166	+ 9.7
Gross Revenue C.N.R. (Canadian Lines)				
(5 Months)	\$	155,121,200	151,246,000	+ 2.6
Gross Revenue C.P.R. (5 Months)	\$	128,283,785	112,249,934	+ 14.3
Employment - Unadjusted				
General Index	1926=100	181.7	181.1	+ 0.3
Manufacturing		225.3	222.8	+ 1.1
Logging		230.3	197.2	+ 16.8
Mining		157.0	160.1	- 1.9
Construction		92.0	123.5	- 25.5
Building		92.9	172.1	- 46.0
Highway		99.9	106.3	- 6.0
Trade		161.6	152.9	+ 5.7
Banking -				
Deposits four Classes (5 Months' average)	\$000	4,442,696	3,795,837	+ 17.0
Current Loans	\$000	981,598	1,001,940	- 2.0
Circulating Media	\$000,000	868.0	712.3	+ 21.9
Cash & Cheque Payments (5 months'total)	\$000,000	34,085	29,366	+ 16.1
Dominion Finance - April to June				
Total Revenues	\$	681,405,450	584,517,593	+ 16.6
Ordinary Expenditures	\$	172,009,350	149,209,859	+ 15.3
War Expenditures	\$	696,137,198	674,754,904	+ 3.2
United Nations Mutual Aid	\$	85,065,367	-	-
National Income (Tentative Computation)	\$000,000	4,498	4,106	+ 9.5

Thirteen items recorded declines, while forty showed increases.

SECTION II. NATIONAL INCOME

INCOME ORIGINATING IN SECONDARY PRODUCTION, n.e.s., 1942.

\$ 000

Type of Payment	Manufactures	Construction	Custom	Total
	n.e.s. a		and Repair c	
Gross Salaries and Wages .....	1,441,577	189,375	68,165	1,699,117
Withdrawals by Working Proprietors .....	92,556	37,266	37,292	167,114
Investment Income (Net) 1/				
Interest (net) on Bonds, Debentures .	8,638	- 40	20	8,618
Dividends (net) on Stocks .....	103,371	461	43	103,875
Sub-total .....	112,009	421	63	112,493
Net Income Paid for Current Services ...	1,646,142	227,062	105,520	1,978,724
Savings (undistributed profits) .....	110,200	7,036	609	117,845
Net Income Originating .....	1,756,342	234,098	106,129	2,096,569

1/ Before deduction of Net Investment Income going abroad.

SECONDARY PRODUCTION (EXCLUSIVE OF PROCESSING)

Secondary production embraces the construction, manufacturing "n.e.s." and custom and repair industries. Construction covers operations of general contractors and sub-contractors as reported in recent years by the Bureau. The work performed directly by Dominion, Provincial and Municipal authorities is excluded, thus avoiding duplication with the totals shown elsewhere for the government group.

Manufacturing production n.e.s. is exclusive of processing activities closely connected with several primary industries. Sawmilling and pulp and paper operations are included with forestry; fish curing and packing is a part of the fisheries industry; while smelting, cement, clay products, lime and salt are treated along with mining. The eight industries, for the purpose of avoiding duplication, are excluded from manufactures, n.e.s. Also excluded are operations of railway repair shops of the two large railway systems which are treated with the steam railway group.

Custom and repair includes thirteen industries of which dyeing, cleaning and laundry, and automobile garages are the most important. The industrial section of the decennial census furnishes periodical information in regard to the personnel in these industries. The census of merchandising and service for 1941 was used extensively in estimating income in this industry. The income originating in each of the three groups was obtained by adding the payments to individuals and the business savings.

Statistics of salaries and wages in manufactures n.e.s. were obtained directly from annual census reports, payments by the nine duplicated industries being deducted. Remuneration of employees in the construction industry were obtained as the product of the numbers and rates estimated for the purpose. Salaries and wages for custom and repair were determined for 1941 from information given by the trading census.

Withdrawals, signifying the remuneration of employers, independent operators and "own accounts", for management and work performed were relatively more steady in the secondary production group than salaries and wages. The number of working proprietors in manufactures n.e.s. was taken directly from the decennial census of 1941. The margin of the withdrawal rate over the salary-wage rate was determined through the use of census data and American experience. Net dividends and interest paid to individuals and external holders of securities were computed from the financial returns of concerns engaged in the group, the totals for manufactures being raised somewhat for comparability with preceding years. The receipts of corporations in the form of dividends and bond interest were deducted.

The addition of occupational and investment income gives the total income payments to individuals originating in the major group in question.

## MANUFACTURES, N.E.S.

The basic data used in computing the income originating in manufactures, n.e.s. were obtained from the annual census of the Manufactures Branch, the industrial section of the decennial census and a questionnaire distributed to incorporated companies engaged in manufacturing operations.

Considerable attention was paid in the early history of the Dominion Bureau of Statistics to the problem of classification. One difficulty in this connection was the overlapping of the boundaries of different industrial and service groups. The historical treatment of three primary industries, forestry, fishing and mining, was to include a number of processing industries closely associated with the operations of the primary phases of these industries. For the compilation of the Survey of Production in 1920, a decision was reached to incorporate the statistics of the processing phases of these industries in the tabulation of the primary industries. For example, the sawmilling and pulp and paper industries were regarded as components of forestry. The fish curing and packing industry was included under the general heading of fisheries, while non-ferrous metal smelting, clay products, cement, lime and salt production remained with mining. As these industries were also included in the reports of manufactures, it was necessary in arriving at the grand totals of commodity production to eliminate the duplication. A similar method was adopted in the compilation of the income originating in commodity producing groups, in connection with the study of the national income.

Salaries and wages were obtained directly from annual census reports, payments by the nine duplicated industries being deducted. It was assumed that the working proprietors engaged in manufacturing operations reported their remuneration as salaries and wages in the same proportion as in retail trade. It was found that the percentage of working proprietors in the latter reporting their salaries and wages was 34.13 p.c. of the total. The resulting amount of withdrawals was deducted from the salaries and wages as compiled in the manner described above. Having reduced the salaries and wages in view of the circumstances, a withdrawal of \$92,556,000 was regarded as a component. The savings of working proprietors were estimated on the basis of per capita withdrawals and the trend of corporate additions to surplus. The net dividends, net interest and corporate savings were obtained from a questionnaire recently completed for the year in question.

## CONSTRUCTION

A considerable section of the components of income originating in construction were obtained from the report of the Construction Branch of the Bureau relating to 1942.

The salaries and wages reported as paid by general and trade contractors and sub-contractors was taken as embracing salaries and wages and withdrawals of working proprietors. The total of \$226,641,000 was divided into salaries and wages of \$189,375,000 and withdrawals of \$37,266,000. The savings of working proprietors were estimated in accordance with the usual method. The positive savings of incorporated concerns, as well as the net dividends and the net interest, were provided by the tabulation of returns from construction firms.

## CUSTOM AND REPAIR

The method consisted of assembling information on numbers of gainfully occupied and remuneration in 1940-41 from census work sheets furnished by Mr. Steedman of Merchandising and Services. Working proprietors not on payroll were assumed to have withdrawn the same average amount reported for salaried proprietors. Small amounts were transferred to this group from retail trade. Information furnished by the Census of occupations and industries was used, where possible, to supplement the service census. Total numbers and average remuneration rates were extended to 1942 by means of the personal service employment index published by the Employment Branch and the index of wage rates published by the Labour Department. A smoothed version of the latter was used in the case of withdrawal rates.

Investment income and savings were estimated by means of a questionnaire distributed to a number of companies operating in the field, and from information furnished by the Research Department of the Bank of Canada.

Chart A - Secondary Production Less Processing Before Deduction  
of International Balance on Dividends and Interest,  
1919 - 1942.

Billions of  
Dollars

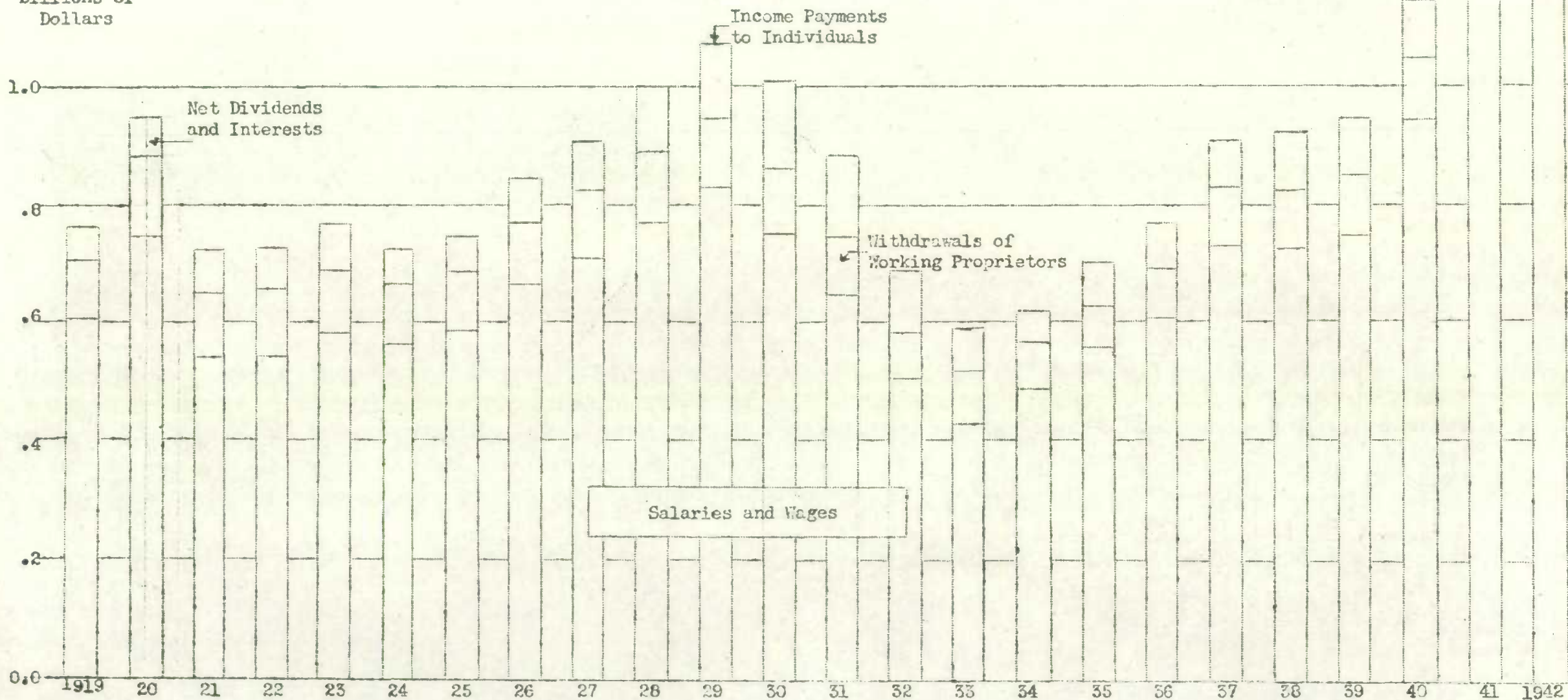


Chart B - Income Originating and Payments to Individuals

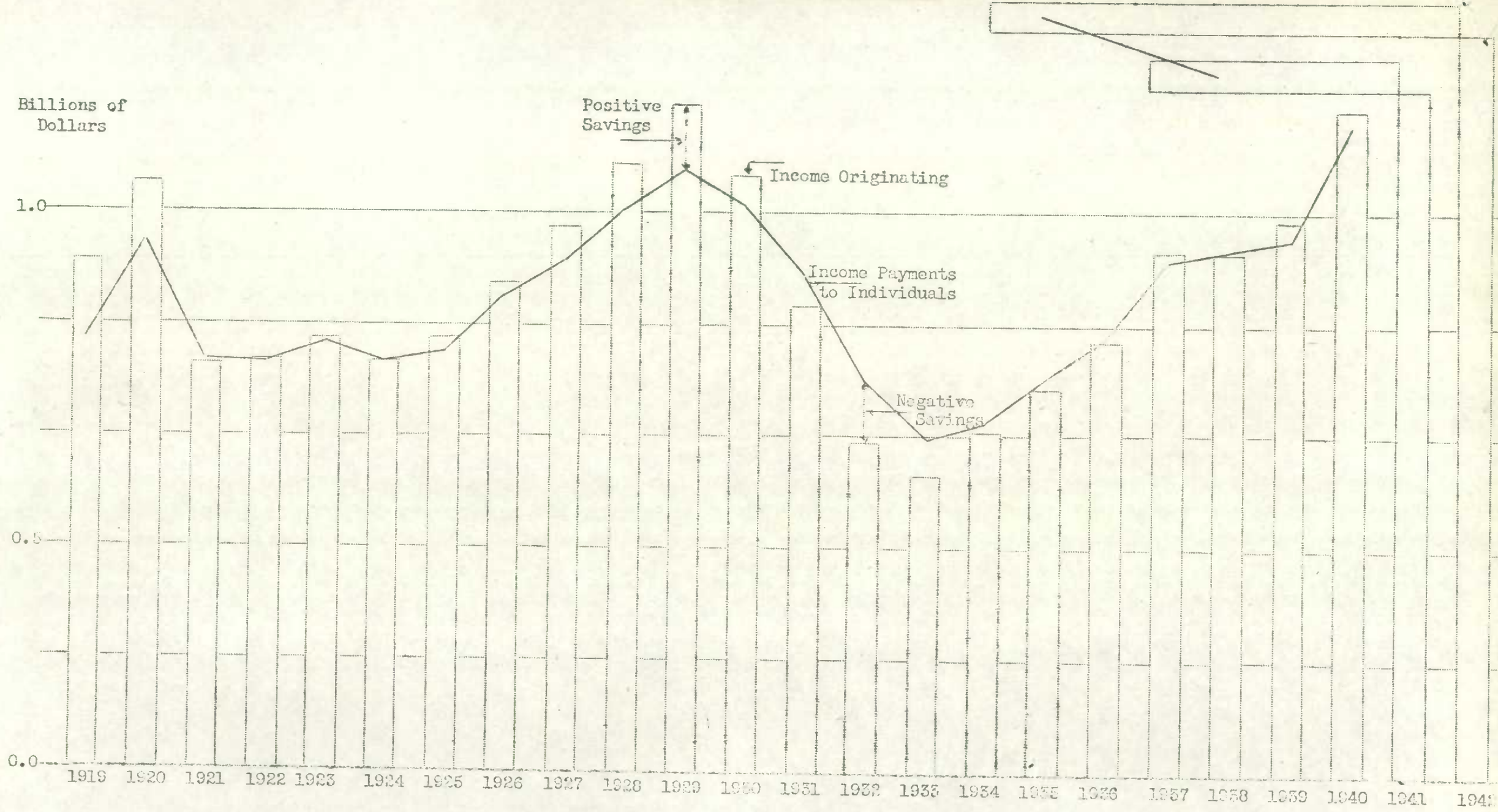
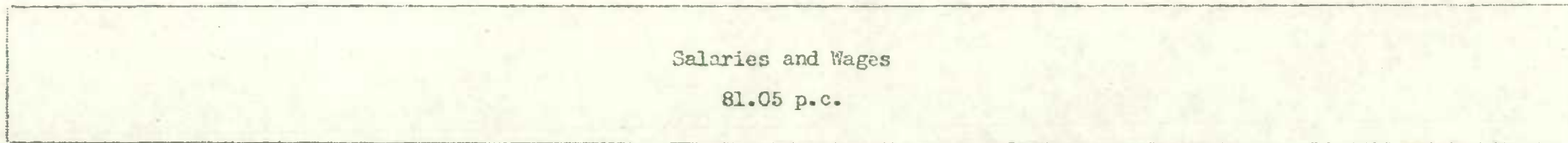




Chart C - Secondary Production n.e.s.  
1942  
Relative Importance of Types of Payments.



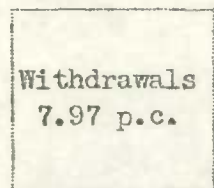
\$1,699,117,000



Dividends  
4.95 p.c.  
\$103,875,000

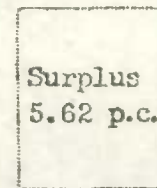


Interest  
0.41 p.c.  
\$8,618,000



Withdrawals  
7.97 p.c.

\$167,114,000



Surplus  
5.62 p.c.

\$117,845,000

STATISTICS CANADA LIBRARY  
BIBLIOTHÈQUE STATISTIQUE CANADA



1010690675

3