

DOMINION BUREAU OF STATISTICS - OTTAWA
BUSINESS STATISTICS BRANCH

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

Economic operations were at a higher level during the first nine months of the present year than in any similar period. Productive operations averaged $2\frac{1}{2}$ p.c. above the high level of the same period of 1943, the index of the physical volume of business having averaged 239.2 against 233.3. Wholesale prices were at a higher position than in any other year since 1925. The index passed through the line of parity with the base year of 1926 during July of last year, averaging 102.6 in the first nine months of the present year.

The deposit liabilities of the banks rose to a new high position in history, averaging $17\frac{1}{2}$ p.c. greater in the first eight months of the present year than in the same period of 1943. New records were established in notice and demand deposits while Dominion Government balances fluctuated considerably due to heavy payments on Victory Loans and subsequent disbursements. The sum of the four classes of deposits averaged \$4,554 million against \$3,877 million. Dominion bond prices continued relatively steady at an exceedingly high level. The index of bond yields on the base of 1935-39 averaged 97.2 in the first nine months of the present year against 97.6 in the same months of 1943.

An index of common stock prices averaged 83.0 in the first nine months of the present year, a recession of one point from the standing in the same period of last year. The level of common stock prices during the last two years has been above that obtaining from mid-year 1940 to the end of 1942. The standing of the last twenty months was below that of 1938 and 1939. Speculative trading as measured by the number of shares traded on the stock exchanges was at a somewhat lower position in the period under review than in most years of the inter-war period.

Owing to the shortage of man-power, mineral production in the first nine months of the present year showed reduction from the same period of 1943, the index averaging 236.1 against 242.9, a decline of 2.8 p.c. The reduction in the output of coal was 6.4 p.c., while gold receipts at the Mint dropped 21.5 p.c.

While manufacturing production has shown a tapering off in recent months, the average for the first nine months was still somewhat above that for the same period of 1943 resulting in a new high point in history. The index averaged 294.8, an increase of about 5 points or 1.8 p.c.

The construction industry obtained a much larger volume of new business than in the first nine months of 1943. Contracts awarded amounted to nearly 46 p.c. greater than in the same period of last year while building permits rose 58 p.c. The consumption of firm power was 26,494 million kilowatt hours against 26,287 million representing a gain of nearly one p.c.

A considerable advance was shown in the volume of internal and external trade. Wholesale sales in the first eight months were 10.2 p.c. greater, while retail sales rose 6.2 p.c. Exports during the first nine months amounted to \$2,577 million, one-fifth greater than in the same period of last year. Imports on the other hand showed a rise of only 4.2 p.c.. The active balance of trade consequently rose sharply from \$360 million to \$1,247 million.

The general index of employment was slightly greater in the first nine months, the index on the base of 1926 standing at 182.6. Gains were shown in manufacturing, logging, highway construction and trade while mining and general construction were at a somewhat lower position. Circulating media in the hands of the public consisting of notes and coins rose 21 p.c. to \$886 million. The cash and cheque payments were 18 p.c. greater at \$55,412 million.

A minor increase was shown in the war expenditures aside from mutual aid, the total having been \$1,628 million. The expenditures under the United Nations Mutual Aid act rose more than 28 p.c. to \$350 million. The total expenditures in the two classes were consequently \$1,978 million against \$1,890 million in the first six months of the last fiscal year. The ordinary expenditures rose nearly 19 p.c. to \$329 million while the total revenues, were 8 p.c. greater at \$1,392 million.

The national income tentatively estimated at \$8,724 million during the whole of 1943 has risen to a somewhat higher level during the elapsed portion of the present year. During the first nine months, the standing was \$6,828 million, a gain of 6.3 p.c. over the total of \$6,423 million recorded for the same period of last year. The standing in September this year was \$802 million compared with \$750 million in the preceding month. Important gains were shown in income originating in agriculture and in Government during September over the preceding month as well as over September, 1943.

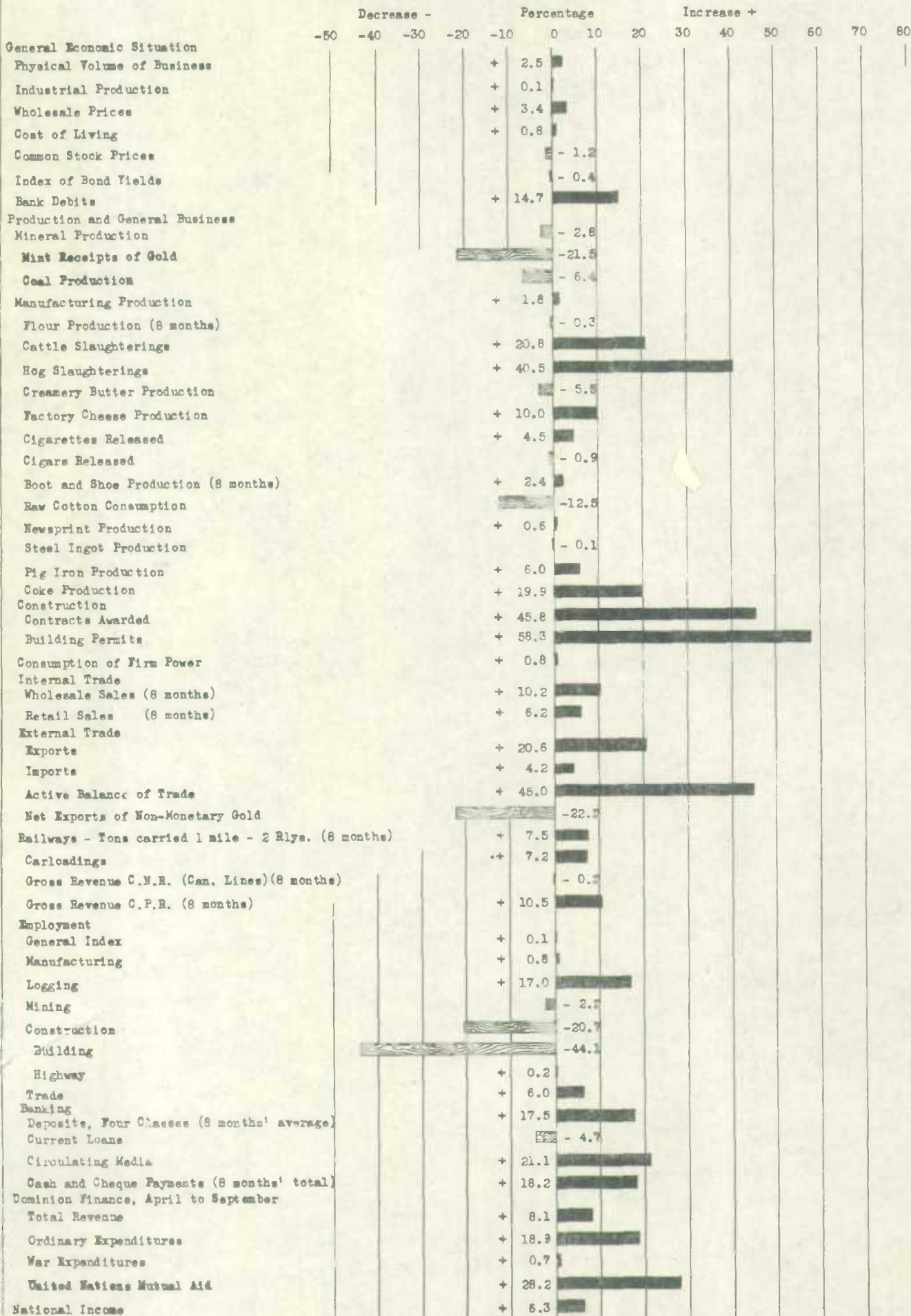
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Minister of Trade and Commerce

THE ECONOMIC SITUATION IN CANADA

for the first Nine Months of 1944

as compared with the same period of last year



Dominion Bureau of Statistics

Sixteen items recorded decline, while thirty-eight showed increases.

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

	Unit or Base Period	First Nine Months		Per cent Increase + Decrease -
		1944	1943	
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1935-39=100	239.2	235.3	+ 2.5
Index of Industrial Production	1935-39=100	270.3	269.9	+ 0.1
Wholesale Prices	1926 = 100	102.6	99.2	+ 3.4
Cost of Living	1935-39=100	119.0	118.1	+ 0.8
Index of Common Stock Prices	1935-39=100	83.0	84.0	- 1.2
Index of Bond Yields	1935-39=100	97.2	97.6	- 0.4
Bank Debits	\$ 000	44,018,865	38,378,603	+ 14.7
<u>Production and General Business</u>				
Mineral Production	1935-39=100	236.1	242.9	- 2.8
Gold Receipts At Mint	Fine ozs.	2,189,490	2,788,396	- 21.5
Coal Production	Tons	12,330,350	13,167,991	- 6.4
Manufacturing Production	1935-39=100	294.8	289.7	+ 1.8
Flour Production (8 months)	Bbls.	15,934,785	15,984,748	- 0.3
Cattle Slaughtering	No.	1,436,850	1,189,477	+ 20.8
Hog Slaughtering	No.	6,561,282	4,670,596	+ 40.5
Creamery Butter Production	Lbs.	244,696,059	259,050,187	- 5.5
Factory Cheese Production	Lbs.	143,167,310	130,170,855	+ 10.0
Cigarettes released	No.	8,573,080,989	8,204,882,918	+ 4.5
Cigars released	No.	144,755,044	146,054,128	- 0.9
Leather Boots and Shoes (8 months)	Pairs	19,872,913	19,404,528	+ 2.4
Raw cotton consumption	Lbs.	120,759,767	137,945,938	- 12.5
Paper and Lumber -				
Newsprint Production	Tons	2,231,749	2,217,432	+ 0.6
Iron and Steel -				
Steel Ingot Production	Short Ton	2,236,481	2,237,736	- 0.1
Pig Iron Production	Short Ton	1,412,385	1,331,966	+ 6.0
Coke Production	Short Ton	3,017,915	2,516,941	+ 19.9
Construction -				
Contracts awarded	\$	234,404,200	160,729,600	+ 45.8
Building Permits (58 municipalities)	\$	72,844,652	46,012,447	+ 58.3
Consumption of firm power	000 K.W.H.	26,493,583	26,287,277	+ 0.8
Internal Trade -				
Wholesale Sales (8 months)	1935-39=100	182.2	165.4	+ 10.2
Retail Sales (8 months)	1935-39=100	159.1	149.8	+ 6.2
External Trade -				
Exports	\$ 000	2,577,027	2,137,102	+ 20.6
Imports	\$ 000	1,330,015	1,276,973	+ 4.2
Active Balance of Trade	\$ 000	+ 1,247,013	+ 860,127	+ 45.0
Net Exports of Non-Monetary gold	\$ 000,000	85.3	109.7	- 22.2
Railways - Tons carried 1 mile -				
(8 months) 2 Rlys.	000,000 tons	39,081	36,353	+ 7.5
Carloadings	No.	2,721,708	2,538,607	+ 7.2
Gross Revenue C.N.R. (Can. Lines)				
(8 months)	\$	256,938,100	257,336,900	- 0.2
Gross Revenue C.P.R. (8 months)	\$	211,171,267	191,134,249	+ 10.5
Employment - Unadjusted				
General Index	1926 - 100	182.6	182.5	+ 0.1
Manufacturing		225.4	223.7	+ 0.8
Logging		207.5	177.4	+ 17.0
Mining		155.9	159.4	- 2.2
Construction		102.0	128.6	- 20.7
Building		93.5	167.3	- 44.1
Highway		126.2	125.9	+ 0.2
Trade		161.6	152.5	+ 6.0
Banking -				
Deposits four Classes (8 Months' average)	\$000	4,553,990	3,877,111	+ 17.5
Current Loans	\$ 000	994,896	1,044,165	- 4.7
Circulating Media	\$ 000,000	885.9	731.8	+ 21.1
Cash & Cheque Payments (8 Months' total)	\$000,000	55,412	46,897	+ 18.2
Dominion Finance - April to September -				
Total Revenues	\$	1,392,261,558	1,287,440,288	+ 8.1
Ordinary Expenditures	\$	329,126,560	276,709,122	+ 18.9
War Expenditures	\$	1,628,302,564	1,616,993,746	+ 0.7
United Nations Mutual Aid	\$	350,074,139	272,974,084	+ 28.2
National Income (Tentative Computation)	\$ 000,000	6,828	6,423	+ 6.3

Sixteen items recorded decline, while thirty-eight showed increases.

SECTION II - NATIONAL INCOME

Income Originating in the Financial Group, 1942.

Finance is the balance wheel of the entire economy, playing a leading role in the national organization. The transactions of the several financial groups are affected, especially in wartime, by the fiscal policy of the Dominion Government. The operations of the banking, insurance, trust and loan companies are under government supervision. Measured by the income originating, the group contributed slightly more than 6.3 p.c. of the national income of Canada in 1942. The income originating was \$437 million in the same year, without adjustment for the international balance on dividends and interest.

In the finance group, real estate, insurance and banking are the main contributors to the national income. Real estate acquired first place in this connection owing to the inclusion of the value of services rendered by non-farm dwelling houses, stores and office buildings. The services rendered by dwelling houses have a market price, the rent, which makes a direct valuation possible even for houses occupied by the owner. Mortgage interest paid to individuals is also an important component of personal income segregated for convenience under the heading of real estate.

The group includes, in addition, stock and bond dealers, trust companies and loan and mortgage companies.

The income originating in the finance group is the sum of the payments made to individuals and the undistributed profits of the companies operating in the field. Five types of payments are peculiar to the group -- interest on savings deposits, interest paid to individuals by insurance companies arising from claims paid to policyholders, interest from insurance and annuity contracts, non-farm mortgage interest and net rentals, as paid on rented property and estimated for owner-occupied dwellings.

Salaries and wages - Information was obtained from reports of registrars of loan and trust companies, reports of the Superintendents of Insurance, by questionnaire for banking and from census data with extension for real estate and stock and bond dealers. Employers' contributions to pension and superannuation funds were included under the heading of other labour income.

Withdrawals - The operations of the finance group are mainly conducted by incorporated companies, but withdrawals of working proprietors were estimated for stock and bond dealers and for the real estate industry. The numbers were based upon the records of the decennial census of 1941, with projection by appropriate indexes. The rates being taken as a differential over the wage rate, the withdrawals were computed by multiplying the numbers by the rates.

Net dividends and net interest on bonds and debentures - These two items comprise the gross amount of interest and dividend payments less the gross receipts within each industry. Much of the information was obtained from the Financial Post Survey of Corporate Securities, Phelan's Corporate Records, Reports of Registrars of trust and loan companies and the reports of the Superintendent of Insurance.

Deposit Interest - This item consists of the interest paid to individuals on deposit accounts in banks and other financial institutions, and was obtained from published reports and other basic sources.

Interest paid to individuals arising from claims paid to policyholders - Payments made by insurance companies in respect to claims are considered to be partially a return of past savings and partially income earned on these savings, while they were invested with the company. This latter portion is estimated from income and expenditure statements with allowance for amounts going to other business firms.

Mortgage interest - Estimated from data obtained in the decennial census, from reports of the Dominion and provincial governments, and the annual reports of insurance, mortgage, trust, banks and railway companies. Mortgages held by individuals were classified under two major groups. Interest on farm mortgages was included with agriculture, the remaining interest appearing under the heading of real estate in the finance group.

Interest paid to individuals arising from superannuation and annuity payments - This item consists of the estimated portion of superannuation annuity and pension payments of contributory plans, which represent interest on the original contributions. The data are derived by the application of a ratio to the total payments obtained from an analysis of relevant revenue and expenditure statements.

Net rentals - These comprise the net rentals received from tenants by owners of urban and other non-farm property. The estimate was based on information contained in the 1941 census and in company reports.

Savings - The net profits of banks as published were adjusted for bank premises written off, dividends and contributions to pensions, if not previously deducted, and other items. The savings of trust and loan and mortgage companies were computed by making certain adjustments to the excess of income over expenditures. The savings of the insurance group, computed through an analysis of the reports of the Superintendent of Insurance, consist of undistributed shareholders' profits.

INCOME ORIGINATING IN FINANCE, 1942

\$000

Type of Payment	Banking	Trust Companies	Loan and Mortgage Companies	Stock and Bond Dealers	Insurance	Real Estate	Total
	a	b	c	d	e	f	g
Gross Salaries and Wages	48,792	6,521	2,268	5,326	79,918	3,500	146,325
Other Labour Income -							
Employers' Contributions to Pension Funds	1,588	-	-	-	1,727	-	3,315
Withdrawals by Working Proprietors	-	-	-	3,700	-	5,000	8,700
Investment Income (Net) +							
Interest (net) on Bonds, Debentures	- 61,500	- 2,648	2,463	-	- 90,452	1,991	- 150,146
Interest on Savings Deposits (Individuals) ...	22,000	3,467	619	-	-	-	26,086
Interest paid to Individuals by Insurance Companies, arising from Claims paid to Policyholders	-	-	-	-	48,529	-	48,529
Interest on Mortgages (Individuals)	-	-	-	-	-	35,000	35,000
Interest paid to Individuals arising from Superannuation and Annuity Payments	953	-	-	-	343	-	1,296
Dividends (net) on Stocks	12,370	1,309	1,836	-	- 9,264	-	6,251
Rentals (net) to Individuals on Urban and Other Non-farm Properties	-	-	-	-	-	195,740	195,740
Sub-total	- 26,177	2,128	4,918	-	- 50,844	232,731	162,756
Net Income Paid for Current Services +	24,203	8,649	7,186	9,026	30,801	241,231	321,096
Savings (undistributed profits)	24,500	1,204	1,893	-	88,766	-	116,363
Net Income Originating +	48,703	9,853	9,079	9,026	119,567	241,231	437,459

+ Before deduction of Net Investment Income going abroad.

Relative Importance of the Six Financial Groups

Annual Average of Income Originating

1942

REAL ESTATE

55.14 p.c.

\$241,231,000

INSURANCE

27.33 p.c.

\$119,567,000

BANKING

11.13 p.c.

\$48,703,000

TRUST CO'S

2.25 p.c.

\$9,853,000

LOAN AND MORTGAGE

2.08 p.c.

\$9,079,000

STOCK AND BOND DEALERS

2.06 p.c.

\$9,026,000

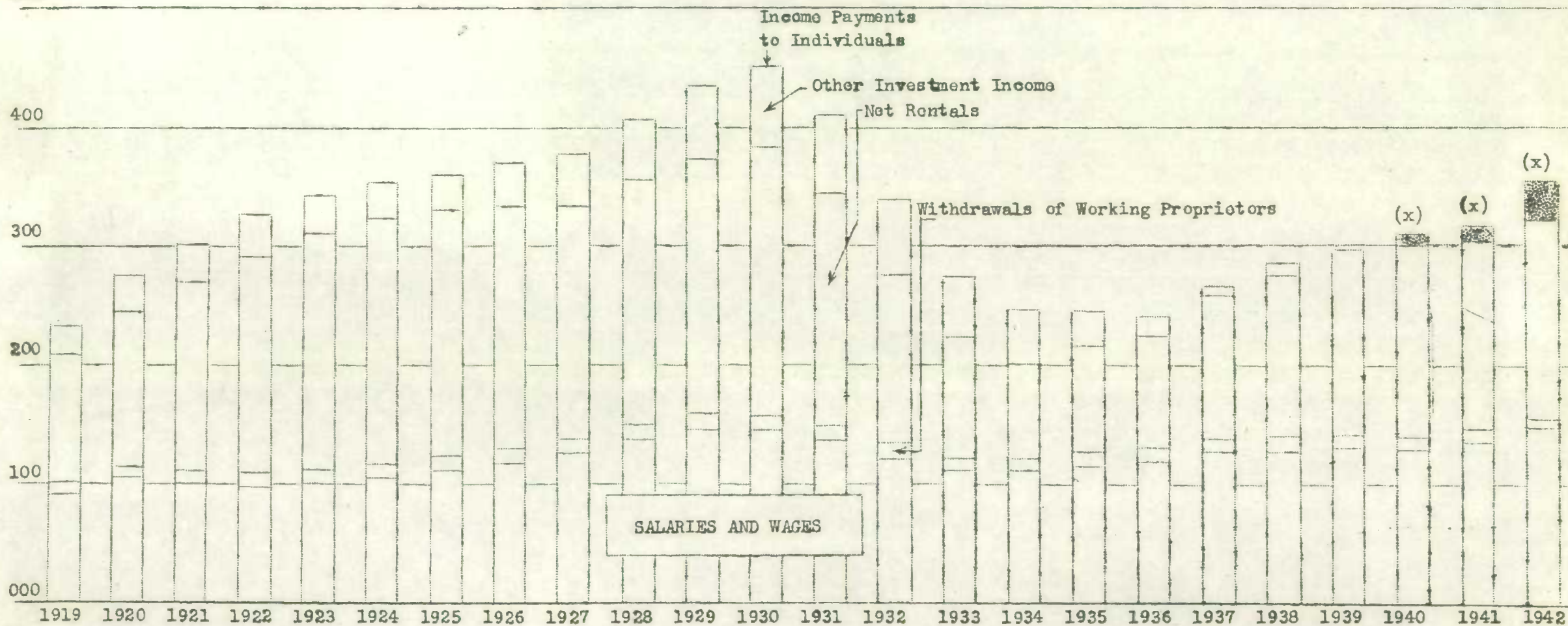
Income Payments to Individuals

in the Financial Group

Before Deductions of International Balance on Dividends and Interest

Million
Dollars

500

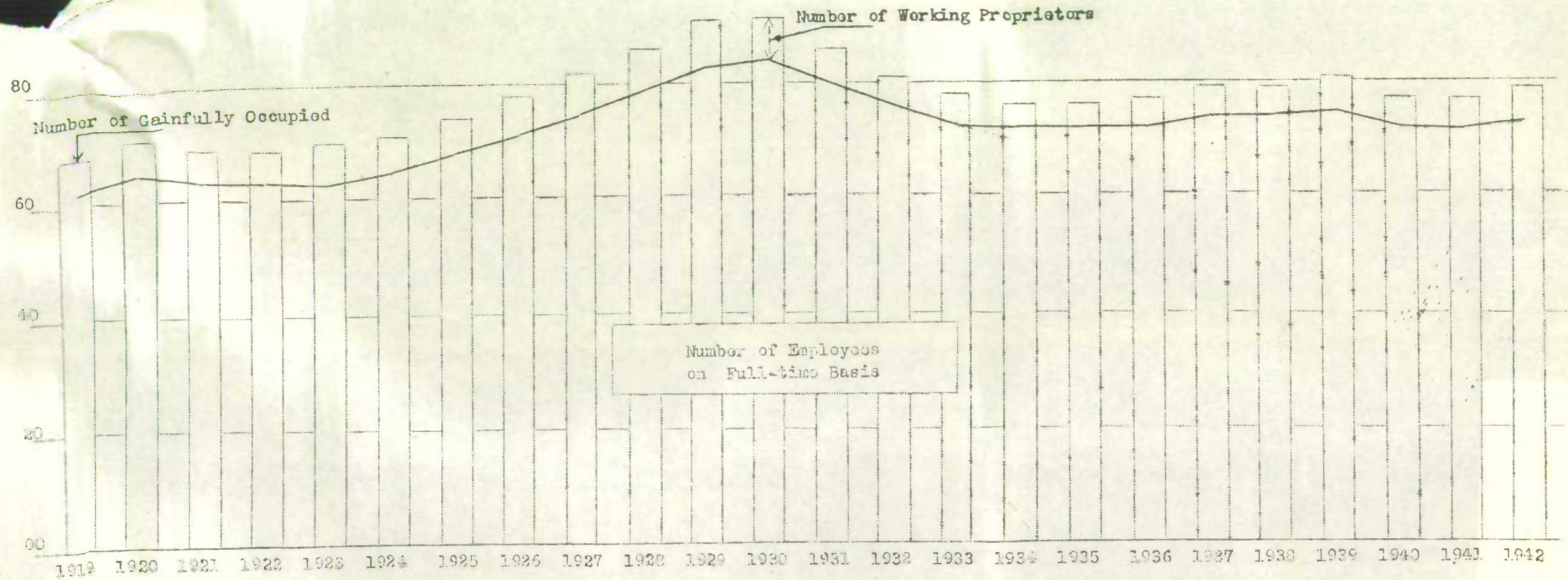


(x) Negative

Number of Persons Occupied

In the Financial Group

on a Full-time Basis



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