

CHAPTER VII.—SURVEY OF PRODUCTION.*

CONSPECTUS.

	PAGE.		PAGE.
SECTION 1. LEADING BRANCHES OF PRODUCTION IN 1937	167	SECTION 3. LEADING BRANCHES OF PRODUCTION IN EACH PROVINCE, 1937 COMPARED WITH 1936.....	174
SECTION 2. PROVINCIAL DISTRIBUTION OF PRODUCTION	172		

Despite the fact that adverse weather conditions affected a considerable part of the Canadian economy during 1937, a gain of 13 p.c. occurred in the net value of production compared with that of the preceding year. The net value of commodities produced reached \$2,970,600,000, the highest since 1930, compared with a revised estimate of \$2,628,400,000 for 1936. This showing is a striking demonstration of the progress that has been made in the seven years towards diversification and self-sufficiency. Drought, which in past decades would have had even more serious consequences, is entered as a debit item against the increased wealth and purchasing power derived from mines, forests, and manufacturing plants. A factor that augurs well for the future is the backlog of construction that has accumulated over the past nine years; sooner or later this must be released to take care of the normal expansion of population and industry.

The index of wholesale commodity prices advanced from 74.6 in 1936 to 84.6 in 1937, the rise having been dominated by pronounced increases in raw material prices, thereby contributing to a more favourable parity between primary and secondary industries.

While changes in general method prevent precise comparability over an extended period, it is evident that an intermediate peak was reached in 1937. Subsequent price decline implies recession for the year 1938, the drop in the general price index being 7 p.c. Industrial production, as measured by a comprehensive index, declined over 9 p.c. but employment was relatively well maintained, the index receding only 2 p.c. from the level of 1937. The gain in the volume of field crops during 1938, however, was about 37 p.c. and preliminary estimates place the net value of agricultural production at nearly \$50,000,000 above the level of 1937 and with more normal provincial distribution.

The Definition of 'Production'.—The term 'production' is used here in its popular acceptance, i.e., as including such processes as the growing of crops, extraction of minerals, capture of fish, conversion of water power into electric current, manufacturing, etc.—in economic phrase, the creation of 'form utilities'. It does not include various activities that are no less productive in a broad and strictly economic sense, such as (a) transportation, refrigeration, merchandising, etc., which add the further utilities of 'place', 'time', and 'possession' to commodities already worked up into form, and (b) personal and professional services, such as those of the teacher and the doctor, which are not concerned with commodities at all, but are nevertheless essential to any civilized society—representing, in economic language, the creation of 'service utilities'.

As showing the importance of these latter activities, it may be pointed out, for comparison with the figures in the accompanying tables, that steam railway

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