

trend in the production of munitions and industrial equipment, recorded a slight betterment for January to June, 1945, compared with the first six months of 1944, and the export trade was almost maintained. The money supply, consisting of the deposit liabilities of the banks and circulating media in the hands of the public, averaged nearly 16 p.c. greater in the period for which statistics are available at the time of writing (August, 1945) than during the same period of 1944.

On the other hand, many lines of economic activity are showing a recession from the high levels of the early part of 1944. The influence of war conditions in accelerating employment and payrolls is now losing its force, the labour personnel being slightly less than at the same time last year. It has been evident for some time that the volume of economic activity has dipped below the maximum position of more than a year ago. Commodity production in the first six months of 1945 was at a somewhat lower level than in the same period of the preceding year, the index of the physical volume of business being nearly 8 p.c. less.

The balance between agriculture and industry within the Dominion has undergone a profound change. Most industries, stirred by heavy demand, have added immensely to their plant and equipment leading to a sharp increase in the number of skilled workers. A heavy backlog of demand for both producer and consumer goods has accumulated together with a stored-up purchasing power that was never greater in our history. These obvious advantages have a bearing on the prospects of a high and stable level of employment in the post-war period.

Although in the past five years the production of many lines of consumer goods has been restricted and the Canadian people have made a heavy contribution in the purchase of war bonds and taxation payments, an upward trend is shown in consumer purchases from retail stores. The increase of about 82 p.c. since the last year of peace is due mainly to an advance in the quantity of goods purchased, the upward movement in retail prices being of relatively lesser proportions. Retail sales during the first five months of 1945 averaged 6.6 p.c. over the same period of the preceding year. The estimate for 1944 was \$4,069,000,000 compared with \$2,593,000,000 in 1939.

The importance of capital formation on a physical basis as a feature of economic activity has long been recognized. The production of munitions and war supplies has a somewhat similar generating influence on the whole economy. While the investment money-flow is normally far less than that arising from payment for consumption goods, the wider fluctuation in the former is of greater significance in promoting economic activity.

Construction.—The initial expenditures on construction and similar activities necessarily lead in due course to additional outlay on living necessities. The operations of the construction industry measured by records of employment were at somewhat higher levels during the first half of 1945 than in the same period of 1944, and the situation in regard to the placement of contracts was also more favourable. The considerable new business placed in 1945 and the record of contemplated new contracts indicated heavy operations upon the removal of restrictions regarding men and materials. The construction industry was hampered in wartime through lack of supplies in meeting the needs of the expanding urban centres. With the removal of wartime restrictions a backlog of requirements will doubtless emerge. (See Chapter XV, pp. 414-458.)