

CANADA
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
GENERAL STATISTICS BRANCH

BUSINESS CONDITIONS IN CANADA

during the first five months of 1935

compared with the

same period of 1933 and 1934



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ECONOMIC CONDITIONS IN CANADA IN THE FIRST FIVE MONTHS OF 1935, COMPARED
WITH THE SAME PERIODS OF 1933 AND 1934.

Comparison of 1935 Period with 1933 Period.-

The impressive nature of the economic recovery in Canada since the first part of 1933, as well as the satisfactory advance over the first five months of 1934, is demonstrated by the increase in major factors compiled by the Dominion Bureau of Statistics. The index of the physical volume of business, based on 45 factors covering production and distribution, averaged 98.8 during the first five months of 1935, compared with 69.9 in the same period of 1933. The increase of 41 p.c. in a comprehensive index of this kind, is a good measure of the satisfactory resumption of operations since the low point of the depression.

An improvement in the price structure was indicated by the advance in the official index based on 567 commodities. The average during the first five months of 1935 was 72.1 against 64.7 in the same period of 1933, a gain of 11.3 p.c. One of the hopeful signs of the business horizon since the early months of 1934 has been the relative stability of commodity prices. The stabilization, if maintained, will contribute an effective stimulus toward the restoration of business confidence.

The financial background has brightened considerably since the early months of 1933. The resumption of industrial operations and the higher level of commodity prices has favored the revenue prospects of Canadian corporations in the first five months of 1935. Common stock prices, reflecting the improved outlook, recorded an advance of more than 60 p.c., the index averaging 88.2 in the elapsed portion of 1935 against 54.2 in the same period of 1933.

The declining yield on Government bonds in Canada, coupled with remarkably low rates in short-term money in external money markets, is now acting as a stimulant to business enterprise. The stimulating effect of low rates will be more fully appreciated with the return of confidence in available investment media. The index of inverted bond yields on Dominion issues averaged 139.2 from January to May 1935 against 103.8 for the same period of 1933.

The factors considered in connection with the compilation of the business index present some pronounced gains in the elapsed portion of the present year over the first five months of 1933. Measured by an index of manufacturing based on 29 factors, the level of operations in 1935 was 42.5 p.c. above the corresponding months of 1933. The index on the base of 1926 averaged 93.5 in the five months under review against 65.6 in the early months of 1933. Each of the thirteen principal factors indicating the trend of manufacturing operations recorded marked gains in this comparison.

Activity in the forestry group was greater than in the same period of any other year since 1930. While the price of newsprint remained at depression levels, the output showed the marked gain of 46 p.c. Production in the first five months of 1935 was 1,053,000 tons against 719,600 tons in the same period of 1933. The output of 1935 was second only to that of the same months of 1929.

An active export trade was transacted in planks and boards, the outward movement being 457,365,000 feet against 246,781,000 in the same months of 1933, a gain of 85 p.c.

An excellent barometer of activity in the group engaged in the production of plant and equipment, is the output of iron and steel. The uses of iron and steel are fairly general in the production and renewal of railway and industrial equipment, explaining the strategic position occupied by the industry in reflecting cyclical fluctuations. Pig iron production was 215,272 long tons in the first five months compared with a low level of 35,353 tons in the same period of 1933. Steel production recorded a gain of 218.3 p.c. in the same comparison.

Fluctuations in the automobile industry are known to correspond in general with the trend of purchasing power. The output of automobiles was 95,584 units compared with 30,939 in the same months of 1933, a gain of 209 p.c. The expansion in the production of automobiles has reinforced the prosperity of other industries engaged in the manufacture of raw materials and accessories. The tire and petroleum refining industries were adversely affected by the depression but the expansion in motor car production in the last two years has had a beneficial effect upon demand for the products of these industries. The imports of crude rubber in the first five months of 1935 at 26,724,000 pounds, showed a gain of about 108 p.c. over 1933. Imports of crude petroleum, indicating conditions in the oil industry, recorded an increase of 28 p.c. to 310,750,000 gallons.

The records of the construction industry are generally regarded as being of great value for barometric purposes, the decline from 1929 to 1933 coinciding with the recurrence of a major depression. Construction contracts awarded in the five month period were \$57,100,000 against \$24,826,000 in the same months of 1933, a gain of 130 p.c. Building permits recorded an increase of 190 p.c. over the low level of the early months of 1933.

The mineral industry of Canada, which has developed so rapidly in the post-war period, was one of the first to shake off the effects of the depression. An index of the volume of production based on nine factors recorded a gain of 42 p.c. over the average for the first 5 months of 1933. Marked gains were shown in exports of nickel, copper, and zinc, while lead production in the first four months was up 29.4 p.c. over the levels of 1933. The advance in coal production was nearly 26 p.c.

The long-term growth of hydro-electric power production has been so rapid in the post-war period, that the cyclical fluctuation has been obscured. The output reached a new high level in 1934 and the gains have been further extended in the elapsed portion of 1935. The increase in production over the first five months of 1933 was 42.4 p.c.

Comparison of 1935 Period with 1934 Period.-

While the pace of the recovery slackened somewhat after the sharp gains following the critical early months of 1933, major economic factors record a predominance of gains in the first five months of 1935 over the same period of 1934. The index of the physical volume of business, recording the broad trend in productive operations, averaged nearly 8 p.c. higher in this comparison. The index was higher in 1935 for each of the five months, a new high point on the recovery having been shown in May, the last month for which the essential statistics are available.

The stability characteristic of wholesale prices in the last two years is indicated by the slight gain of one per cent in the average of the official index in the first five months of the present year over the same period of 1934. Prices of farm products and non-ferrous metals in May last were at an appreciably higher level than in the same month of 1934, while other principal groups receded from the position of twelve months ago. Considerable recovery was shown in raw materials, contrasting with the practical maintenance in the prices of manufactured goods. Thus the gap between the two main classes of commodity prices is being gradually adjusted.

The credit situation was greatly improved during the period under review. The advance in Dominion Government bond prices continued throughout 1934 and in the first part of 1935, resulting during the last five months in a new high level for many years. The consequent low yields on the senior security of the Dominion reflect an easing in the general credit situation. The index of inverted bond yields on Dominion government bonds showed a gain of 21 p.c. on the average for the first five months of 1935 over the same months of 1934.

Banking operations also reflected a period of economic recovery. Marked gains were recorded in bank deposits and readily available assets. The liquidation of loans, both call and current, continued. The building up of deposit liabilities at a time when loans were being reduced led to a marked gain in security holdings. The sum...

of the notice and demand deposits averaged 6.4 p.c. more in the first five months of 1935 than in the same period of the preceding year. Quick assets and security holdings recorded gains of 18 p.c. and 18.4 p.c. respectively, while current loans declined 6.3 p.c.

The main branches of production showed expansion over the first five months of 1934. The index showing the trend of manufacturing production was up 6 per cent. Automobile production was 40 p.c. greater, while pig iron output recorded a gain of 79 p.c. Newsprint production gained nearly 2 p.c., contrasted with a decline of 9 p.c. in the export of planks and boards. The activity of the sugar industry expanded 39 p.c., while wheat flour production was down 7.4 p.c.

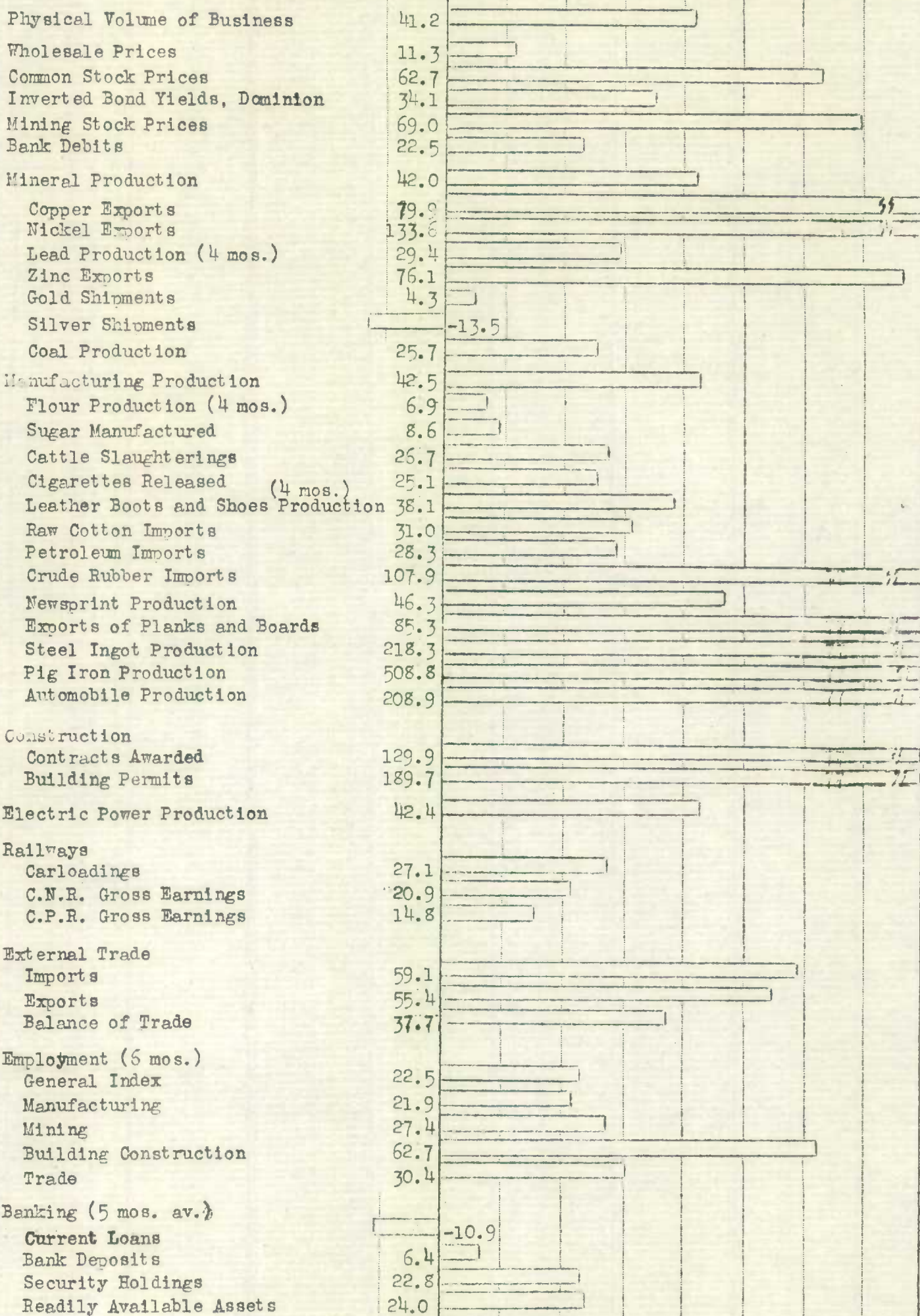
The construction industry showed continued betterment, the gain in the value of contracts awarded having been 17 p.c. The output of electric power showed a gain of 10 p.c. over the first five months of 1934.

External trade was a constructive factor in the early months of the present year, the gain in exports being 7.6 p.c.

Statistics Illustrating the Economic Situation of Canada in the First Five Months
of 1935 Compared with the same Period of 1933 and 1934.

				% Increase / Decrease	
	1933	1934	1935	1935 Com- pared with 1933	1935 Com- pared with 1934
General Economic Situation -					
Index of Physical Volume of Business.....	69.9	91.7	98.8	✓ 41.2	✓ 7.7
Wholesale Prices.....	64.7	71.4	72.1	✓ 11.3	✓ 1.0
Index of Common Stock Prices	54.2	87.1	88.2	✓ 62.7	- 1.3
Shares Traded, Montreal and Toronto.....Number	4,241,915	7,608,705	5,151,415	✓ 21.4	- 32.3
Inverted Bond Yields, Dominion.....	103.8	115.0	139.2	✓ 34.1	✓ 21.1
Mining Stock Prices.....	75.0	123.7	126.7	✓ 69.0	✓ 2.5
Bank Debits - 5 month average..... \$	2,042,570,880	2,568,117,344	2,501,164,947	✓ 22.5	- 2.6
Production and General Business -					
Mineral Production, 1926=100	103.0	138.6	146.3	✓ 42.0	✓ 5.6
Copper Exports.....Pounds	77,502,900	120,796,600	139,409,000	✓ 79.9	✓ 15.4
Nickel Exports.....Pounds	22,947,800	51,099,100	53,595,200	✓ 133.6	✓ 4.9
Lead Production(4 mos.)Pounds	82,246,276	103,326,227	106,433,153	✓ 29.4	✓ 3.0
Zinc Exports.....Pounds	70,797,800	111,315,500	124,709,000	✓ 76.1	✓ 12.0
Gold Shipments.....Ounces	1,213,831	1,256,389	1,266,388	✓ 4.3	✓ 0.8
Silver Shipments.....Ounces	4,856,274	5,960,127	4,200,646	- 13.5	- 29.5
Coal Production..... Tons	4,261,531	5,153,413	5,355,303	✓ 25.7	✓ 3.9
Manufacturing Production 1926=100.....	65.6	88.1	93.5	✓ 42.5	✓ 6.1
Flour Production(4 mos.)Barrels	3,722,279	4,297,761	3,978,227	✓ 6.9	- 7.4
Sugar manufactured....Pounds	190,704,556	148,798,968	207,027,807	✓ 8.6	✓ 39.1
Cattle Slaughtering..Number	437,464	530,771	554,221	✓ 26.7	✓ 4.4
Hog Slaughtering.....Number	1,228,501	1,309,577	1,280,012	✓ 4.2	- 2.3
Cigarettes released...Number	1,507,731,300	1,685,589,040	1,886,611,100	✓ 25.1	✓ 11.9
Cigars released.....Number	31,901,920	35,300,728	42,486,921	✓ 33.2	✓ 20.4
Leather Boots and Shoes (4 months)....Pairs	4,729,075	5,371,825	6,531,293	✓ 38.1	✓ 21.6
Raw Cotton Imports....Pounds	33,325,399	59,317,566	43,654,954	✓ 31.0	- 26.4
Paper and Lumber - Newsprint Production. Tons	719,644	1,033,647	1,052,874	✓ 46.3	✓ 1.9
Exports of Planks and Boards..... Feet	246,781,000	503,930,000	457,365,000	✓ 85.3	- 9.2
Iron and Steel - Steel Ingot Pro- duction.....Long Tons	98,862	333,509	314,713	✓ 218.3	- 5.6
Pig Iron Production Long Tons	35,353	120,521	215,222	✓ 508.8	✓ 78.6
Automobile and Allied Industries - Automobile Production..Number	30,939	68,179	95,584	✓ 208.9	✓ 40.2
Petroleum Imports....Gallons	242,145,778	313,278,346	310,749,795	✓ 28.3	- 0.8
Crude Rubber Imports..Pounds	12,852,378	26,033,700	26,723,526	✓ 107.9	✓ 2.6
Construction - Contracts Awarded..... \$	24,826,100	48,707,800	57,073,100	✓ 129.9	✓ 17.2
Building Permits..... \$	6,726,795	7,999,917	19,486,105	✓ 189.7	✓ 143.6
Electric Power Production K.W.H.600	6,714,048	8,665,752	9,563,841	✓ 42.4	✓ 10.4
Railways - Carloadings..... Number	724,871	901,086	921,322	✓ 27.1	✓ 2.2
Gross Revenue, C.N.R. (Canadian Lines).... \$	45,537,713	54,853,788	55,032,699	✓ 20.9	✓ 0.3
Gross Revenue, C.P.R.. \$	40,245,386	47,304,527	46,216,072	✓ 14.8	- 2.3
External Trade - Imports..... \$	134,302,209	201,203,958	213,648,704	✓ 59.1	✓ 6.2
Exports..... \$	162,396,176	234,436,797	252,321,105	✓ 55.4	✓ 7.6
Favourable Balance of Trade..... \$	28,093,967	33,232,839	38,672,401	✓ 37.7	✓ 16.4
Employment - 6 months.					
General Index, 1926=100..	77.8	92.1	95.3	✓ 22.5	✓ 3.4
Manufacturing.....	76.3	87.0	93.0	✓ 21.9	✓ 6.9
Logging.....	51.7	126.1	137.6	✓ 166.2	✓ 9.1
Mining.....	93.0	106.5	118.6	✓ 27.4	✓ 11.5
Construction.....	59.1	99.2	87.3	✓ 47.7	- 12.0
Building.....	28.5	39.1	46.6	✓ 62.7	✓ 18.8
Highway.....	95.9	203.3	159.0	✓ 65.8	✓ 21.8
Trade.....	92.1	115.8	120.1	✓ 30.4	✓ 3.7
Banking - Five Mos. Average					
Bank Deposits..... \$	1,858,792,824	1,858,318,844	1,977,465,296	✓ 6.4	✓ 6.4
Readily Available Assets \$	1,001,115,101	1,053,272,862	1,241,481,782	✓ 24.0	✓ 17.9
Current Loans..... \$	920,903,827	875,962,628	820,227,601	- 10.9	- 6.3
Call Loans - Canada.... \$	96,209,127	102,452,382	84,152,912	- 12.5	- 17.9
Elsewhere... \$	82,211,000	106,021,726	85,227,403	✓ 3.7	- 19.6
Security Holdings..... \$	803,319,624	833,357,567	986,421,794	✓ 22.8	✓ 18.4

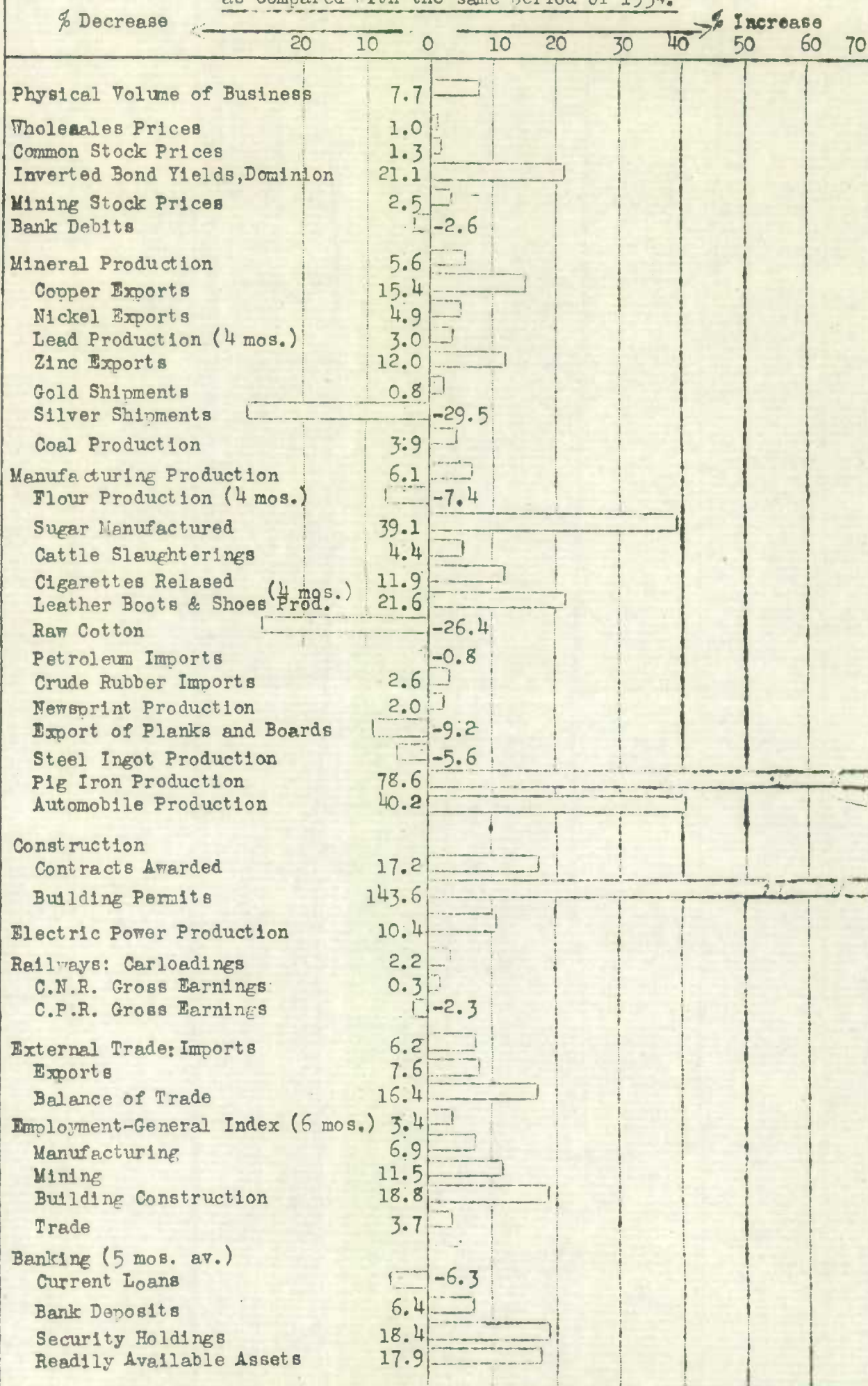
as Compared with the same period of 1933.



The Economic Situation in Canada

in the First 5 Months of 1935

as Compared with the same period of 1934.





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