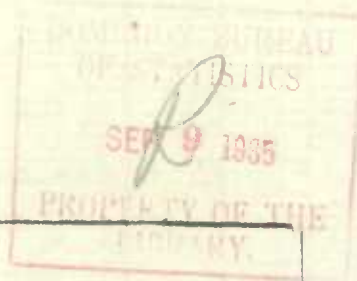


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C A N A D A
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
GENERAL STATISTICS BRANCH

BUSINESS CONDITIONS IN CANADA

during the first seven months of 1935

compared with the

same period of 1933 and 1934

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1935

DOMINION BUREAU OF STATISTICS, OTTAWA
GENERAL STATISTICS BRANCH

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

Comparison of the First Seven Months of 1935 with the Same Period of 1933.

Measured by the records of the first seven months, economic recovery in Canada has been continued during the present year. The major economic factors have shown repeated gains over the low levels of the early part of 1933, when the depression reached its greatest depths. Most of the significant factors advanced in the present year to new high levels since the minima were reached during the worst phases of the depression.

The trend of physical volume of business operations is the most significant factor considered in this connection, reflecting the actual volume of production in a wide variety of industries. This business index, expressed as a percentage of the base year of 1926, averaged 99.4 in the first seven months of 1935 compared with 73.7 in the same period of 1933. The gain of 35 per cent represents a marked advance over the levels of the earlier part of 1933. While there was a rapid gain in the later months of 1933, the trend has continued upward until the present time, temporary setbacks being offset by subsequent advances. The monthly indexes for 1935 have consistently shown gains over the same months of 1934. It may be added that the level has recently been slightly above that of the base year of 1926, chosen as being the most representative of average conditions in the post-war period.

Another development of fundamental importance was the advance in highgrade bond prices. The indexes of Ontario Government bond prices moved up at the beginning of the year to the highest point since 1906, a maximum for nearly 29 years. The average yield on Dominion Government long-term bonds during the first seven months of 1935 was 3.38 per cent compared with 4.54 per cent in the same period of 1933. The average yield on four Ontario Government bonds was 3.79 per cent as against 4.72 per cent in the first seven months of 1933. A sharp gain in the high-grade bond market took place during 1934 and the high level of bond prices established near the end of last year was practically maintained in the seven months under review. The decline in long-term interest rates is a powerful incentive for investors to seek more profitable employment for surplus funds in productive enterprise. A condition of large surplus funds seeking investment and low interest rates is a prerequisite to general business recovery.

Wholesale prices were relatively stable during 1934 and the first seven months of 1935, following the considerable advance during the preceding year. After dipping slightly below the pre-war level in the early months of 1933, a sharp recovery was staged from March to July. The level of the last two years was established at a somewhat higher position, fluctuations being within narrow limits at about 12 per cent above the pre-war average and at between 28 and 29 per cent under the 1926 average. The advance in the seven months average of the index in 1935 was 9 per cent over the same period of 1933.

The close interconnection of various economic factors was shown by the advance in common stock prices subsequent to the early months of 1933. A spectacular gain was made from March to July of that year. Gains were apparent in the latter part of 1934, a new high level for four years being shown in recent months. The official common stock index averaged 89.6 in the first seven months of 1935, compared with 62.1 in the same period of 1933, a gain of 44.3 per cent. The index of mining stocks averaged 49.2 per cent higher in the same comparison.

It is only recently that the economic recovery in Canada has had any marked effect on banking conditions. Current loans reached a new low point at the end of last April, subsequent to the persistent decline commenced in 1929. Another recession was shown in July following the minor gains recorded in May and June. The tardiness of the reversal was explained by the eagerness of executives to relieve themselves of the burden of old debts as soon as conditions permitted.

The pronounced decline in current loans in the last five years is in contrast to the relative stability of deposit liabilities. Domestic deposits were

more than maintained in 1935, the gain in the average for the seven months ended July over the same period of 1933 being 5.7 per cent. The surplus of notice deposits over current loans was \$615,000,000 at the end of July against \$480,000,000 on the same date of 1933.

It was in the gain in security holdings that the most striking development of the banking field occurred. The holdings have increased sharply since mid-year 1932, amounting at the end of July to \$1,031,000,000, the highest point in the history of Canadian banking. Reflecting in part the gain in the holdings of government securities, the readily available assets of the banks, made up of eight accounts, reached a new high point at \$1,257,000,000 on July 31, the gain in the average for the first seven months of 1935 over the same period of 1933 being 22 per cent.

The fundamental position of the banks was greatly strengthened in the last two years by the reduction in outstanding credit and the increases in deposits and in liquid reserves.

Business Operations

From the first quarter of 1933 to the present time, the business index has recorded a pronounced advance in productive operations, reaching from May to July last a new high point on the recovery. The gain from May to September 1933 was spectacular and while the advance in the subsequent period was punctuated with temporary setbacks, the general trend has continued in an upward direction to the present time. The marked betterment of the last three years was due in large measure to recovery in the industries which participated so fully in the prosperous period from 1922 to 1929. These include mining, newsprint, electric power, steel and automobile and allied industries.

Manufacturing Production

The increase in the index of manufacturing production over the first seven months of 1933 was about 33 per cent. The output of newsprint at 1,519,160 tons showed a gain of 41 per cent. The revival of external demand resulted in heavier exports of planks and boards, the gain being 50.6 per cent in this comparison.

The primary iron and steel industry showed marked recovery over the low level of the early months of 1933. The output of pig iron recorded a gain of 357.0 per cent, while the production of steel ingots was 164 per cent greater.

The automobile industry participated fully in the recovery of the last two years, the increase over the first seven months of 1933 being 177.5 per cent. Production amounted to 124,335 units against 44,802. The gain in the imports of crude petroleum was 19.7 per cent, the total in the first seven months of 1935 being 576,000,000 gallons. The imports of crude rubber used in part for the manufacture of automobile tires recorded an increase of 75.4 per cent in the same comparison.

The index of mineral production, based on nine factors, indicates that the progress since 1933 has been greater than in most of the other main branches. A gain of more than 38 p.c. was shown over the early months of 1933. The gain in copper exports was about 70 p.c., while exports of nickel recorded an increase of 72.4 p.c. Lead production and zinc exports were up 24 p.c. and 67.6 p.c., respectively. Gold shipments showed a gain of 7.2 p.c., while shipments of silver declined 0.6 p.c.

Construction

The new business obtained by the construction industry showed a considerable percentage gain over the same period of 1933, but the level remained low in comparison with that of the prosperous period culminating in 1929. The gain in contract awards to \$94,000,000, compared with \$45,600,000, amounted to 106.6 per cent, while building permits in 61 cities increased 131 per cent.

Electric power

The production of electric power showed gains not only over last year but also over any other year in the history of the industry. Total output in the first seven months of 1935 was 13,000,000,000 kilowatt hours compared with 9,500,000,000 in the same period of 1933. The gain of 38.2 per cent represents a considerable

expansion due to greater industrial and domestic demand. The output in the first seven months of 1934, the previous high point, was nearly 12,000,000,000 kilowatt hours, the gain in the reported production of the present year over this total being 9.8 per cent.

Railways

Car loadings in the first seven months of 1935 numbered 1,302,000 compared with 1,064,000 in the same period of 1933, the gain being 22.4 per cent. The gross operating revenue of the Canadian National Railway (Canadian lines) and the Canadian Pacific Railway recorded gains of 15.7 per cent and 11.4 per cent, respectively. During the period under review the revenue of the Canadian National on Canadian lines was \$78,834,000 compared with \$68,156,000. The gross operating revenue of the Canadian Pacific was \$67,679,000 compared with \$60,778,000.

External Trade

The revival in external trade was an important phase in the betterment of Canadian economic conditions during the elapsed portion of 1935. Imports showed a gain of 51.6 per cent over the first seven months of 1933, and exports were up 39.2 per cent. As gold is mainly exported in the form of bullion, its value is not included in merchandise exports or balance of trade.

Employment

The index of employment in manufacturing operations, being unaffected to any important extent by unemployment relief, is highly significant of the trend of business. The recall of employees by manufacturing concerns was continued from May, 1933 to the end of July last. The level of last month was higher than at any other time since May 1931. The adjusted index at 99.8 on August 1 was practically at the average level for the base year of 1926, contrasting with 23.6 per cent below at the first of May, 1933.

Comparison of the First Seven Months of 1935 with the Same Period of 1934.

The constructive tendencies in evidence during the second and third quarters of 1933 have continued in operation, but the pace of recovery during the last nineteen months was not so rapid. The index of the physical volume of business averaged 99.4 in the first seven months of 1935 against 92.9 in the same period of last year, a gain of 7 p.c. The mining, construction and power industries showed expansion greater than the average, while manufacturing and external trade also recorded substantial gains.

The financial background brightened considerably over the position of one year ago. Wholesale prices were decidedly stable, the index showing a gain of only 0.4 p.c. over the first seven months of 1934. On the base of 1926, the index of wholesale prices averaged 71.9 in the first seven months of 1935 against 71.6 in the same months of 1934. Common stock prices, reflecting improved prospects for corporate revenues, averaged 3.8 p.c. higher than in the first seven months of 1934. As Dominion Government bonds advanced persistently during 1934, the present level, measured by inverted bond yields, is 18.2 p.c. higher than in the same period of last year.

The statistics of banking operations disclose a considerable decline in current and call loans in the present comparison. Bank deposits, on the other hand, recorded a gain of 6.4 p.c. The natural results were that the security holdings averaged more than 19 p.c. greater, and readily available assets were up 17.3 p.c.

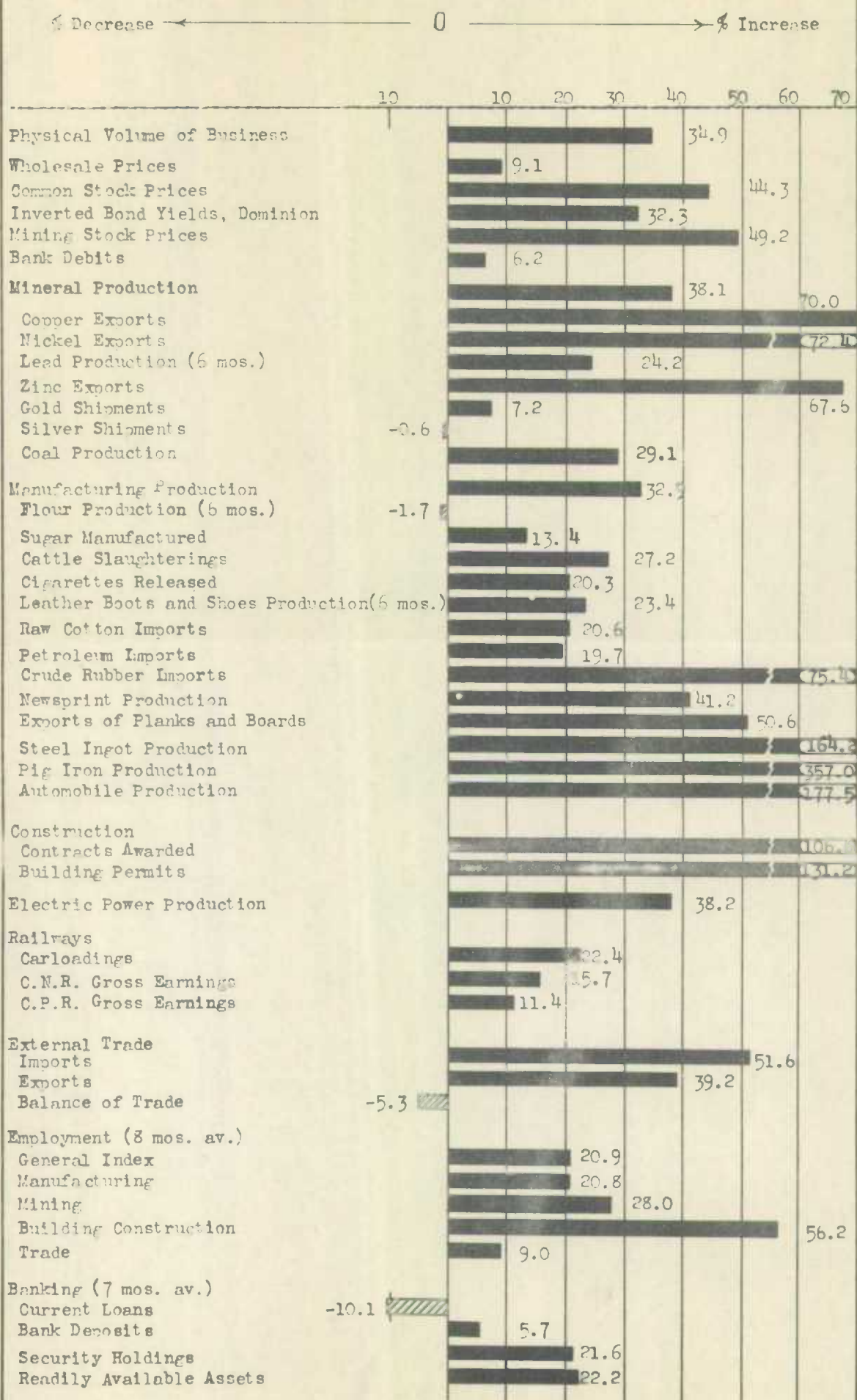
The nine weighted factors indicating the trend of mineral production averaged 7.2 p.c. greater in the first seven months of 1935 than in the same period of 1934. Copper exports showed an expansion of 29 p.c. The output and export of nickel, lead and zinc recorded moderate gains. Gold shipments were approximately maintained, while silver shipments were 10.4 p.c. less. Coal production gained 2.1 p.c., the total in the first seven months of 1935 having been 7,275,400 tons. The index of manufacturing production based on 29 factors showed a gain of nearly 4.5 p.c. The tobacco and sugar industries showed considerable expansion. An important gain was also shown in the output of boots and shoes. Raw cotton imports, however, declined 24.7 p.c.

The gain in motor car production was 33.4 p.c. and the output of pig iron showed further expansion. The resumption of activity in the construction industry was reflected in a gain of 30.6 p.c. in contracts awarded. The output of electric power showed an increase of nearly 10 p.c.

Statistical Tables and Charts

Detailed comparisons of the more important factors in the economic situation in the first seven months of 1935 with the corresponding figures for the same period of 1933 and 1934, respectively, are presented in the two following tables, together with percentages of increase or decrease. These percentages of increase or decrease are also graphically set out in the accompanying charts.

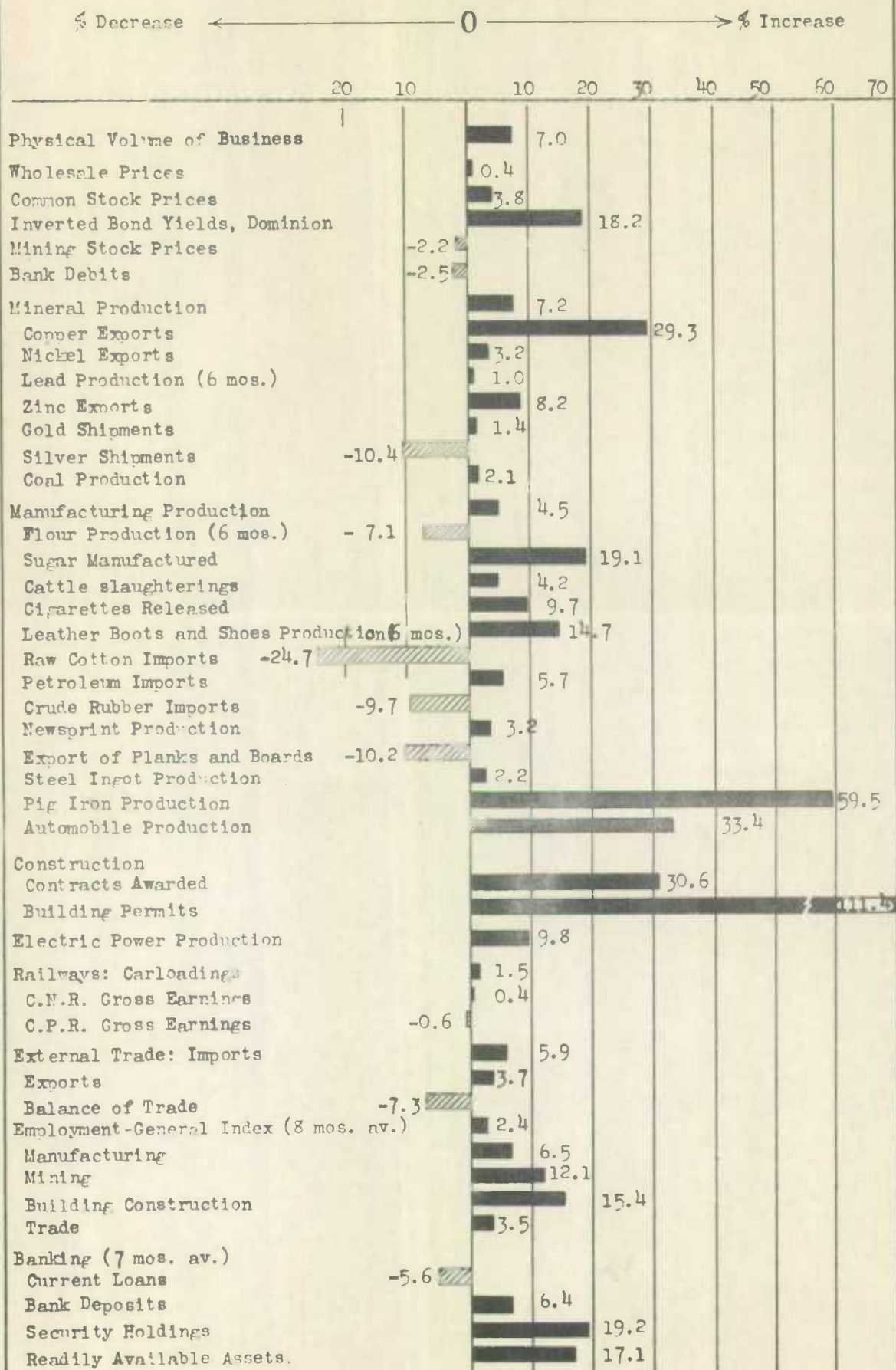
The Economic Situation in Canada
in the first 7 Months of 1935
as compared with the same period of 1933.



The Economic Situation in Canada

in the first 7 months of 1935

as compared with the same period of 1934.



D.B.S.

Statistics Illustrating the Economic Situation of Canada in the First Seven Months
of 1935 Compared with the Same Period of 1933

		First Seven Months		Increase + Decrease -
		1933	1935	
<u>General Economic Situation -</u>				
				Per cent
Index of Physical Volume of Business		73.7	99.4	+ 34.9
Wholesale Prices		65.9	71.9	+ 9.1
Index of Common Stock Prices		62.1	89.6	+ 44.3
Shares Traded, Montreal and Toronto	Number	14,560,269	7,174,158	- 50.7
Inverted Bond Yields, Dominion		104.8	138.7	+ 32.3
Mining Stock Prices		83.7	124.9	+ 49.2
Bank Debits -	\$ 000	16,723,096	17,761,238	+ 6.2
<u>Production and General Business -</u>				
Mineral Production, 1926 = 100		104.0	143.6	+ 38.1
Copper Exports	Pounds	123,924,200	210,697,700	+ 70.0
Nickel Exports	Pounds	43,952,400	75,768,200	+ 72.4
Lead Production (6 months)	Pounds	129,257,649	160,564,997	+ 24.2
Zinc Exports	Pounds	98,588,000	165,268,100	+ 67.6
Gold Shipments	Fine Ounces	1,673,937	1,793,897	+ 7.2
Silver Shipments	Fine Ounces	6,935,849	6,891,414	- 0.6
Coal Production	Tons	5,636,470	7,275,400	+ 29.1
Manufacturing Production 1926 = 100		71.7	95.3	+ 32.9
Flour Production (6 months)	Barrels	6,242,386	6,134,108	- 1.7
Sugar manufactured	Pounds	380,322,499	431,405,809	+ 13.4
Cattle Slaughtering	Number	616,815	784,747	+ 27.2
Hog Slaughtering	Number	1,654,579	1,665,713	+ 0.7
Cigarettes released	Number	2,395,051,330	2,881,634,285	+ 20.3
Cigars released	Number	54,562,666	65,336,563	+ 19.7
Leather Boots and Shoes (6 mos.)	Pairs	8,145,867	10,050,302	+ 23.4
Raw Cotton Imports	Pounds	50,555,637	60,965,015	+ 20.6
Paper and Lumber -				
Newsprint Production	Tons	1,075,561	1,519,160	+ 41.2
Exports of Planks and Boards	Feet	457,660,000	689,091,000	+ 50.6
Iron and Steel -				
Steel Ingot Production	Long tons	179,540	474,264	+ 164.2
Pig Iron Production	Long tons	67,899	310,290	+ 357.0
Automobile and Allied Industries -				
Automobile Production	Number	44,802	124,335	+ 177.5
Petroleum Imports	Gallons	481,537,889	576,273,561	+ 19.7
Crude Rubber Imports	Pounds	18,749,271	32,893,612	+ 75.4
Construction -				
Contracts Awarded	\$	45,563,900	94,143,700	+ 106.6
Building Permits	\$	12,496,302	28,895,295	+ 131.2
Electric Power Production	000 K.W.H.	9,527,606	13,170,299	+ 38.2
Railways -				
Carloadings	Number	1,063,553	1,302,185	+ 22.4
Gross Revenue, C.N.R. (Canadian Lines)	\$	68,156,000	78,834,000	+ 15.7
Gross Revenue, C.P.R.	\$	60,778,000	67,679,000	+ 11.4
External Trade -				
Imports	\$	203,619,494	308,786,790	+ 51.6
Exports	\$	260,734,291	362,870,419	+ 39.2
Favourable Balance of Trade	\$	57,114,797	54,083,629	- 5.3
<u>Employment - 8 months' average, unadjusted</u>				
General Index, 1926 = 100		79.8	96.5	+ 20.9
Manufacturing		78.3	94.6	+ 20.8
Logging		51.1	123.4	+ 141.5
Mining		93.6	119.8	+ 28.0
Construction		65.1	91.2	+ 40.1
Building		31.7	49.5	+ 56.2
Highway		107.7	162.9	+ 51.3
Trade		110.5	120.4	+ 9.0
<u>Banking - Seven Months' average</u>				
Bank Deposits	\$	1,871,010,222	1,977,077,333	+ 5.7
Readily Available Assets	\$	1,018,221,845	1,244,102,603	+ 22.2
Current Loans	\$	913,341,053	820,684,774	- 10.1
Call Loans - Canada	\$	98,751,078	83,291,313	- 15.7
Elsewhere	\$	84,462,074	79,074,429	- 16.4
Security Holdings	\$	820,382,235	997,258,962	+ 21.6

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Statistics Illustrating the Economic Situation of Canada in the First Seven Months
of 1935 Compared with the same Period of 1934

		First Seven Months		Increase + Decrease - Per cent	
		1934	1935		
<u>General Economic Situation</u>					
Index of Physical Volume of Business		92.9	99.4	+	7.0
Wholesale Prices		71.6	71.9	+	0.4
Index of Common Stock Prices		86.3	89.6	+	3.8
Shares Traded, Montreal and Toronto	Number	9,196,193	7,174,158	-	22.0
Inverted Bond Yields, Dominion		117.3	138.7	+	18.2
Mining Stock Prices		127.7	124.9	-	2.2
Bank Debits	\$ 000	18,210,113	17,761,238	-	2.5
<u>Production and General Business-</u>					
Mineral Production, 1926=100		133.9	143.6	+	7.2
Copper Exports	Pounds	163,007,900	210,697,700	+	29.3
Nickel Exports	Pounds	73,439,900	75,768,200	+	3.2
Lead Production (6 mos.)	Pounds	158,995,449	160,564,997	+	1.0
Zinc Exports	Pounds	152,710,900	165,268,100	+	8.2
Gold Shipments	Fine Ounces	1,768,725	1,793,897	+	1.4
Silver Shipments	Fine Ounces	7,691,678	6,891,414	-	10.4
Coal Production	Tons	7,126,574	7,275,400	+	2.7
Manufacturing Production 1926=100		91.2	95.3	+	4.5
Flour Production (6 mos.)	Barrels	6,600,671	6,134,108	-	7.1
Sugar manufactured	Pounds	362,167,037	431,405,809	+	19.1
Cattle Slaughtering	Number	753,061	784,747	+	4.2
Hog slaughtering	Number	1,710,283	1,665,713	-	2.6
Cigarettes released	Number	2,626,604,380	2,881,634,285	+	9.7
Cigars released	Number	57,584,358	65,336,563	+	13.5
Leather Boots and Shoes (6 mos.)	Pairs	8,758,656	10,050,302	+	14.7
Raw Cotton Imports	Pounds	81,013,895	60,965,015	-	24.7
Paper and Lumber -					
Newsprint Production	Tons	1,471,522	1,519,160	+	3.2
Exports of Planks and Boards	Feet	767,660,000	689,091,000	-	10.2
Iron and Steel -					
Steel Ingot Production	Long Tons	464,169	474,264	+	2.2
Pig Iron Production	Long Tons	194,586	310,290	+	59.5
Automobile and Allied Industries					
Automobile Production	Number	93,198	124,335	+	33.4
Petroleum Imports	Gallons	545,041,930	576,273,561	+	5.7
Crude Rubber Imports	Pounds	36,423,193	32,893,612	-	9.7
Construction -					
Contracts Awarded	\$	72,107,200	94,143,700	+	30.6
Building Permits	\$	13,668,847	28,895,295	+	111.4
Electric Power Production	000 K.W.H.	11,995,698	13,170,299	+	9.8
Railways -					
Carloadings	Number	1,282,329	1,302,185	+	1.5
Gross Revenue, C.N.R. (Canadian Lines)	\$	78,485,000	78,834,000	+	0.4
Gross Revenue, C.P.R.	\$	68,056,000	67,679,000	-	0.6
External Trade -					
Imports	\$	291,534,359	308,786,790	+	5.9
Exports	\$	349,866,015	362,870,419	+	3.7
Favourable Balance of Trade	\$	58,331,656	54,083,629	-	7.3
<u>Employment - 8 months', average, unadjusted</u>					
General Index, 1926=100		94.2	96.5	+	2.4
Manufacturing		88.8	94.6	+	6.5
Logging		115.9	123.4	+	6.5
Mining		106.9	119.8	+	12.1
Construction		108.1	91.2	-	15.6
Building		42.9	49.5	+	15.4
Highway		224.5	162.9	-	27.4
Trade		116.3	120.4	+	3.5
<u>Banking - Seven Months', Average</u>					
Bank Deposits	\$	1,858,156,096	1,977,077,333	+	6.4
Readily Available Assets	\$	1,062,542,204	1,244,102,603	+	17.1
Current Loans	\$	869,678,924	820,684,774	-	5.6
Call Loans - Canada	\$	100,788,942	83,291,313	-	17.4
Elsewhere	\$	107,752,248	79,074,429	-	26.6
Security Holdings	\$	836,310,551	997,258,962	+	19.2

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