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BUSINESS CONDITIONS IN CANADA

during the first eleven months of 1937

compared with the

same period of 1936

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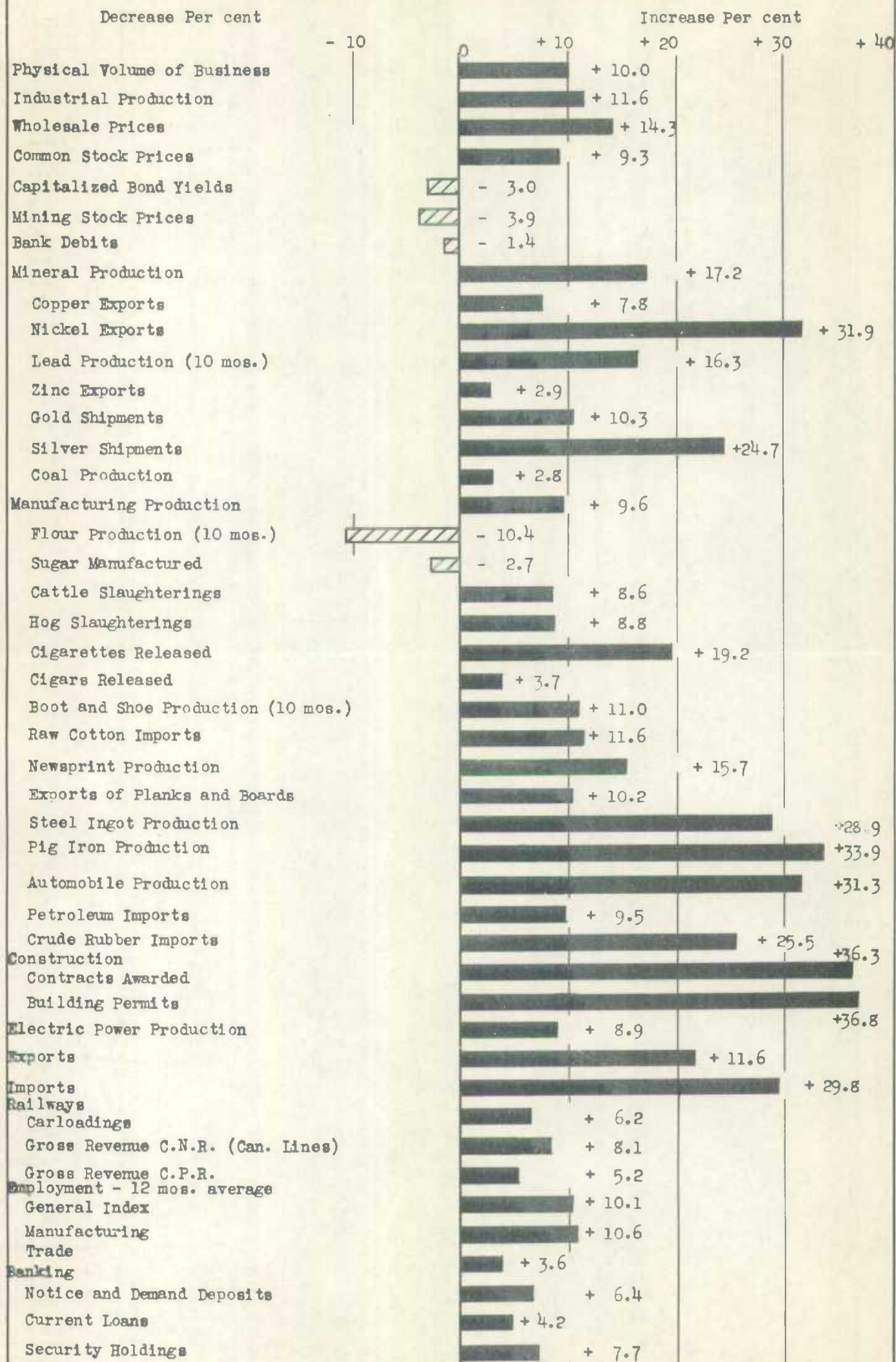
OTTAWA

1938

The Economic Situation in Canada

in Eleven Months of 1937

as compared with the same period of 1936.



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BUSINESS CONDITIONS IN CANADA DURING THE FIRST ELEVEN MONTHS
OF 1937 COMPARED WITH THE SAME PERIOD OF LAST YEAR

The economic situation of Canada during the first half of the year just ended showed unmistakable improvement over 1936. Despite deflation in speculative factors toward the close of the year, 1937 will rank high in the records of Canadian economic activity. Productive operations as measured by the index of the physical volume of business were 10 per cent greater than in the first eleven months of 1936.

Mineral production was much greater than in 1936 which up to that time was a record year. The production of gold, silver, copper, lead and nickel all showed gains. The industry employed more men, paid more in salaries and wages and dividends, spent more for supplies and equipment and used more electric power than in any previous year. Canada supplied 90 per cent of the world requirements of nickel, 53 per cent of the asbestos requirements, 11 per cent of copper and lead and 10 per cent of zinc.

Operations in the forestry group were greatly expanded in the year just ended. The production of newsprint reached a new high point in history, having been not far from the practical limit of capacity. Production in the first eleven months was 3.3 million tons, a gain of nearly 16 per cent over the same period of 1936.

Timber scaled in British Columbia, a good guide to sawmill operations was 2,539 billion board feet in the first ten months, a gain of 9.3 per cent over the preceding year. The forestry industry is one of the largest employers of labour and it is gratifying to know that working forces in logging recorded a gain of 36.5 per cent, while sawmilling and paper industries recorded advances of 11 per cent and 35 per cent respectively.

Manufacturing operations gathered momentum during the year, the output having been practically equivalent to that of 1929. The gain over the preceding year was 9.6 per cent indicating the extensive nature of the recovery. Employment in manufacturing plants recorded decided improvement during 1937, the returns from the principal firms registering an average gain of 10.6 per cent over the preceding year. The iron and steel industries reflecting revival in the domestic demand for industrial equipment and durable goods showed further gains over the first eleven months of 1936. The output of steel ingots recorded a gain of 29 per cent, while the increase in pig iron was 34 per cent. The recovery of the steel industry from the low levels of the early part of 1933 was one of the striking features of the last five years.

The automobile and allied industries were favoured by the marked gain in purchasing power of the public during 1937. The output of motor cars in the first eleven months at 186,348 recorded a gain of 31 per cent. The imports of crude rubber used largely in the manufacture of automobile tires at 75 million pounds showed an increase of 26 per cent. The imports of crude petroleum were 9.5 per cent greater while the domestic production was tripled in 1937.

New business obtained by the construction industry was more than 36 per cent greater than in the preceding year. Contracts awarded were valued at \$213 million in the first eleven months, while permits were \$52 million.

The use of hydro-electric power has grown rapidly in Canada playing a prominent part in the industrial development. The year 1937 recorded a maximum of production, the output showing a gain of nearly 9 per cent over the preceding year. The firm power made available in Canada for ordinary use computed by deducting the sum of exports to the United States and the amount supplied for use in electric boilers was 16.8 billion k.w.h., a gain of 9 per cent over the 15.4 billion made available in the same period of 1936.

The substantial gain in external trade was one of the chief constructive developments of the year. Total exports of merchandise were \$1,036 million in the first eleven months against \$928 million last year, an increase of 11.6 per cent. A gain of 29.8 per cent was shown in imports, the total in the eleven months having been \$756 million. Owing to the high level of exports, the balance of trade was very largely in Canada's favour.

Owing to the marked degree of mutual dependence existing between industry and the railways, the operating and financial records of the latter present a measure of industrial activity. Railway traffic showed a modest increase of 6.2 per cent over the preceding year. Eight of the eleven commodity groups in the traffic classification showed increases in this comparison. The moderate gain in railway traffic had its counterpart in the gross operating revenues of the two principal systems. The figures for the first eleven months indicate a gain of 8.1 per cent for the internal lines of the Canadian National and of 5.2 per cent for the Canadian Pacific.

In industries other than agriculture, during the last quarter of 1937, there were more people at work in Canada than at any other time during the period of observation from 1921 to the present except for two or three months of 1929. It will be recalled that employment after declining almost continuously from the midsummer of 1929 until the second quarter of 1933 has shown an upward trend of marked proportions. The improvement has been widely distributed both geographically and industrially but not so pronounced in the Prairie Provinces as elsewhere. Concurrent with the improvement in general employment, there have been marked reductions in unemployment in Nova Scotia, Quebec, Ontario and British Columbia.

Despite the bright picture presented by the records of production, external trade and employment, the reaction in speculative factors during 1937 should not be overlooked when appraising business prospects for the new year. High-grade bond prices declined steadily during the first quarter of the year from the high level reached at the end of 1936. A part of the decline was erased in later months.

The reaction in common stock prices commenced in the second quarter and marked deflation occurred after the middle of August. The standing at the end of 1937 was about 20 per cent below that of one year ago. Commodity prices maintained a lead in 1937 over the same months of the preceding year, but marked declines in a wide variety of speculative commodities developed in the last half of the year. The monthly average of the index was 14.3 per cent higher than in 1936 but the gap was narrowed as the end of the year approached.

Statistics Illustrating the Economic Situation of Canada in Eleven Months of 1937,
Compared with the Same Period of 1936.

| Item | Unit or base period | First Eleven Months of 1936 | 1937 | Increase + Decrease - |
|--|------------------------|--------------------------------|---------------|--------------------------|
| | | | | Per cent |
| <u>General Economic Situation</u> | | | | |
| Index of Physical Volume of Business | 1926=100 | 111.7 | 122.9 | + 10.0 |
| Index of Industrial Production | 1926=100 | 113.8 | 127.0 | + 11.6 |
| Wholesale Prices | 1926=100 | 74.1 | 84.7 | + 14.3 |
| Index of Common Stock Prices | 1926=100 | 118.2 | 129.2 | + 9.3 |
| Capitalized Bond Yields, Dominion | 1926=100 | 148.7 | 144.3 | - 3.0 |
| Mining Stock Prices | 1926=100 | 153.4 | 147.4 | - 3.9 |
| Bank Debits | \$000 | 32,524,015 | 32,084,646 | - 1.4 |
| <u>Production and General Business</u> | | | | |
| Mineral Production | 1926=100 | 162.3 | 190.2 | + 17.2 |
| Copper Exports | Lbs. | 368,069,200 | 396,881,900 | + 7.8 |
| Nickel Exports | Lbs. | 157,593,600 | 207,840,900 | + 31.9 |
| Lead Production (10 mos.) | Lbs. | 304,491,458 | 353,997,620 | + 16.3 |
| Zinc Exports | Lbs. | 301,218,000 | 309,827,000 | + 2.9 |
| Gold Shipments | Fine Ozs. | 3,378,594 | 3,727,065 | + 10.3 |
| Silver Shipments | Fine Ozs. | 15,726,583 | 19,617,609 | + 24.7 |
| Coal Production | Tons | 13,732,101 | 14,110,064 | + 2.8 |
| Manufacturing Production | 1926=100 | 112.8 | 123.6 | + 9.6 |
| Flour Production (10 mos.) | Bbls. | 12,407,213 | 11,116,478 | - 10.4 |
| Sugar manufactured | Lbs. | 959,927,834 | 934,431,186 | - 2.7 |
| Cattle Slaughtering | No. | 1,410,691 | 1,531,567 | + 8.6 |
| Hog Slaughtering | No. | 3,150,223 | 3,426,895 | + 8.8 |
| Cigarettes released | No. | 5,165,028,191 | 6,158,283,964 | + 19.2 |
| Cigars released | No. | 112,654,828 | 116,876,694 | + 3.7 |
| Leather Boots and Shoes (10 mos.) | Prs. | 16,481,929 | 18,296,330 | + 11.0 |
| Raw Cotton Imports | Lbs. | 129,445,570 | 144,468,747 | + 11.6 |
| Paper and Lumber - | | | | |
| Newsprint Production | Tons | 2,890,602 | 3,345,206 | + 15.7 |
| Exports of Planks and Boards | Ft. | 1,565,756,000 | 1,725,058,000 | + 10.2 |
| Iron and Steel - | | | | |
| Steel Ingot Production | Long Tons | 1,010,598 | 1,302,677 | + 28.9 |
| Pig Iron Production | Long Tons | 610,173 | 816,823 | + 33.9 |
| <u>Automobile and Allied Industries -</u> | | | | |
| Automobile Production | No. | 141,911 | 186,348 | + 31.3 |
| Petroleum Imports | Gals. | 1,184,093,530 | 1,297,020,141 | + 9.5 |
| Crude Rubber Imports | Lbs. | 59,748,656 | 74,969,679 | + 25.5 |
| <u>Construction -</u> | | | | |
| Contracts Awarded | \$ | 156,469,200 | 213,293,100 | + 36.3 |
| Building Permits | \$ | 38,043,527 | 52,042,087 | + 36.8 |
| Electric Power Production | 000 K.W.H. | 23,068,559 | 25,116,920 | + 8.9 |
| <u>External Trade -</u> | | | | |
| Exports | \$ | 928,495,289 | 1,036,006,513 | + 11.6 |
| Imports | \$ | 582,194,350 | 755,799,854 | + 29.8 |
| Excess of exports over imports | \$ | 346,300,939 | 280,206,659 | - 19.1 |
| <u>Railways -</u> | | | | |
| Carloadings | No. | 2,288,690 | 2,431,172 | + 6.2 |
| Gross Revenue C.N.R. (Can. Lines) | \$ | 140,112,000 | 151,406,000 | + 8.1 |
| Gross Revenue C.P.R. | \$ | 126,318,000 | 132,938,000 | + 5.2 |
| <u>Employment 12 months' average, unadjusted</u> | | | | |
| General Index | 1926=100 | 103.6 | 114.1 | + 10.1 |
| Manufacturing | | 103.4 | 114.4 | + 10.6 |
| Logging | | 138.7 | 189.3 | + 36.5 |
| Mining | | 136.5 | 153.2 | + 12.2 |
| Construction | | 88.2 | 99.5 | + 12.8 |
| Building | | 55.3 | 60.1 | + 8.7 |
| Highway | | 135.5 | 174.3 | + 28.6 |
| Trade | | 127.5 | 132.1 | + 3.6 |
| <u>Banking - 11 Months' Average</u> | | | | |
| Notice and Demand Deposits | \$ | 2,128,049,161 | 2,263,425,159 | + 6.4 |
| Readily Available Assets | \$ | 1,518,451,530 | 1,581,340,166 | + 4.1 |
| Current Loans | \$ | 700,802,311 | 730,100,356 | + 4.2 |
| Call Loans - Canada | \$ | 91,614,590 | 110,315,890 | + 20.4 |
| Elsewhere | \$ | 63,375,732 | 68,438,545 | + 8.0 |
| Security Holdings | \$ | 1,326,005,169 | 1,427,728,622 | + 7.7 |

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