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DEPARTMENT OF TRADE AND COMMERCE

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BUSINESS CONDITIONS IN CANADA

during the first five months 1937

compared with the

same period of 1936



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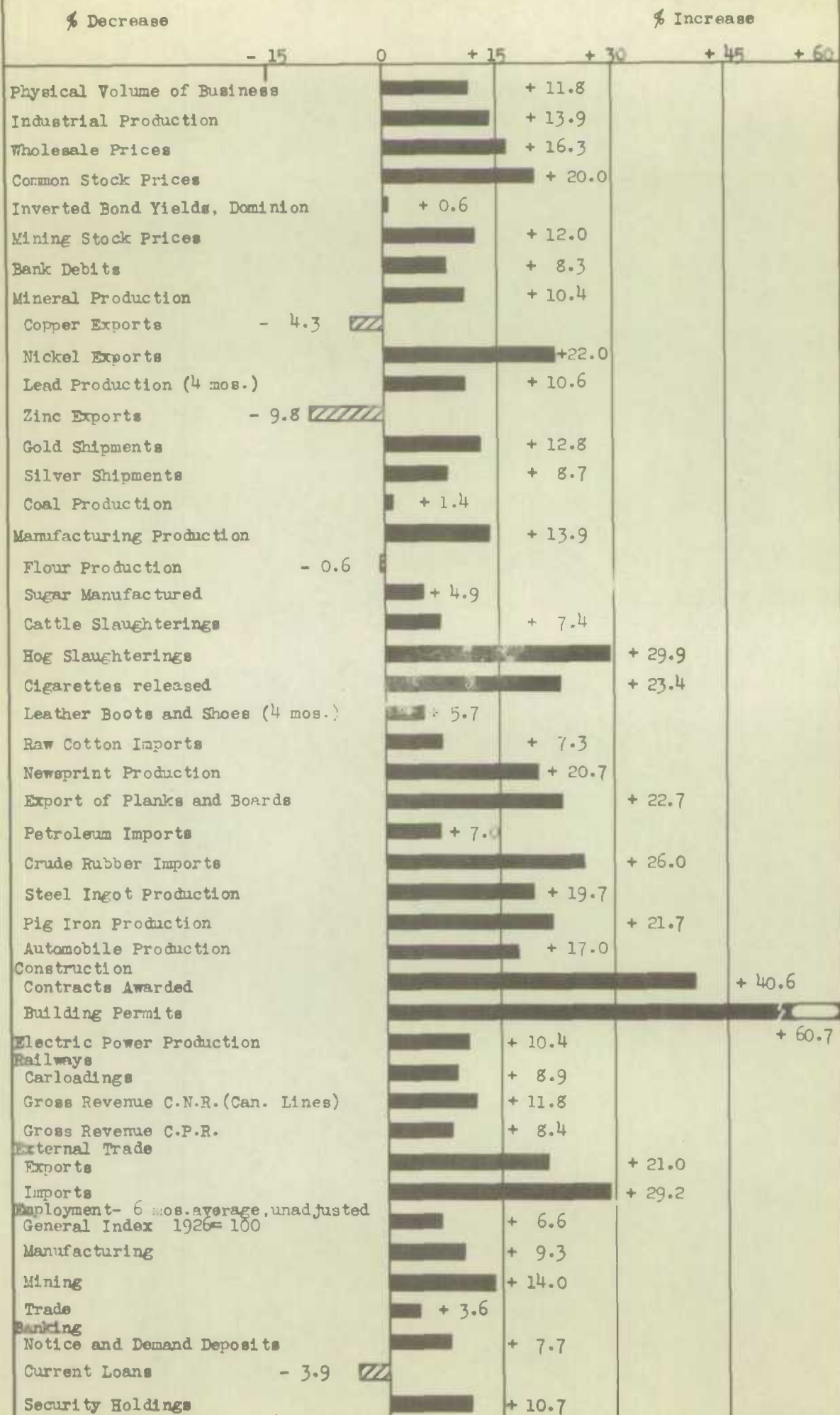
IN THE YEAR 1872

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The Economic Situation in Canada  
in the First Five Months of 1937  
as compared with the same period of 1936.







Dominion Statistician:  
Statistician:

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

Measured by the records recently made available, economic recovery in Canada characterized the first five months of 1937. The betterment of 1936 was unmistakably extended in the period under review. Most of the major factors advanced in the present year to new high levels since the minima were reached during the worst phases of the depression in 1932 and the first quarter of 1933.

The trend of business operations is the most significant factor considered in this connection, reflecting the actual volume of production in a wide variety of industries. The business index expressed as a percentage of the base year of 1926 averaged 119.3 in the first five months of 1937, compared with 106.7 in the same period of the preceding year. The gain of 11.8 p.c. represents a satisfactory advance over the levels of 1936, especially in view of the considerable betterment which took place in the latter year over the low point of the depression. Notwithstanding the rapidity of the gain in 1936, the trend continued upward during the elapsed portion of the present year, the increases in the index after the smoothing adjustment being practically continuous from month to month. The level has recently been more than 20 p.c. above the base year of 1926, chosen as being the best representative of average conditions in the post-war period.

Wholesale prices, following thirty months of relative steadiness, began a marked advance at about this time of last year. The advance continued sharply during the first quarter showing the highest level in the early part of April. Speculative commodities which had made the most spectacular gains recorded reaction in the second quarter, but the readjustment in the general level was relatively slight having regard to the precipitous nature of the gain during the preceding nine months. As raw materials advanced to a much greater extent than manufactured goods, predepression relationships were practically restored. This readjustment paved the way for a more normal interchange of goods between primary and secondary producers which should be accompanied by an increase in the aggregate real income of the Dominion. The general index of wholesale prices averaged 16 p.c. higher in the first five months of 1937, the increase in the index having been from 72.4 to 84.2

The high-grade bond market was particularly strong during 1936 and the present year commenced with the prices of Dominion bonds not far from the highest levels since such issues first became a factor in the domestic market. A steady decline occurred during the first quarter. After a month of consolidation, a rally occurred in May and prices have been well maintained to the present time. The index of capitalized bond yields for the present year has been, since March, at a lower level than for the same period of 1936. The average index for the first five months of 1937, however, was slightly greater than for the same period of last year. Short-term treasury notes remain at a high price, a recent issue having been sold at a cost basis of .643 p.c.

Common stock prices followed, during the elapsed portion of the present year, somewhat the same pattern as in 1936, but the fluctuations were of greater proportions. An intermediate advance commenced in August 1936, and continued until about the middle of March last. The upward movement was supported by similar tendencies in various economic functions including wholesale prices and business operations. The decline in general stock prices during April was relatively severe and the level was not greatly altered during May and June. The index of common stock prices on the base of 1926 was 139 against 116 during the first five months of 1936, an average gain of twenty per cent.

The expansion in productive operations was due in large measure to the acceleration in external trade. The export trade of the Dominion recorded a gain of 21 p.c. over the preceding year, several exceptional causes contributing to this result. One factor was the continuance of the economic recovery in most of the principal countries for which information is available. With facilities for the production of mineral and other natural products on a large scale, Canada is in a position to share fully in the revival of international trade. During the elapsed portion of the present year, a marked advance took place in business operations, the standing in April being more favorable than at any time since October 1929. The business index is based on 46 factors relating to the trend in mineral production, manufacturing, construction, electric power and distribution. The factors are individually adjusted for seasonal tendencies and expressed as a percentage of the monthly average for the base year of





1926. The markedly higher level of this index during the present year indicates the extent of the acceleration in business and productive operations.

### Mineral Production

The index of mineral production averaged 10.4 p.c. higher in the last five months than in the same period of 1936. Zinc exports showed a decline of 9.8 p.c. while nickel exports were up 22 p.c. Gold shipments from Canadian mines recorded a gain of 12.8 p.c., while silver marketings were up 8.7 p.c. The output of coal was 5,930,000 tons in the first five months of 1937, a gain of 1.4 p.c.

### Manufacturing

The increase in the index of manufacturing production over the first five months of 1936 was about 14 p.c. The output of newsprint at 1,472,000 tons showed a gain of 20.7 p.c. External demand for Canadian lumber showed marked gain, the advance in the export of planks and boards having been nearly 23 p.c.

The primary iron and steel industry reflecting the revival in the domestic demand for industrial equipment and durable goods, showed further gain over the levels of the first five months of 1936. The output of pig iron recorded a gain of 22 p.c., while the production of steel ingots was 20 p.c. greater.

The automobile industry participated fully in the recovery of the last four years, the increase over the first five months of 1936 being 17 p.c. Production amounted to 104,730 cars and trucks compared with 89,548 in the same period of last year. The gain in the imports of crude petroleum was 7.0 p.c., the total in the first five months of 1937 being 346.6 million gallons. The imports of crude rubber used in part for the manufacture of automobile tires recorded a gain of 26 p.c. in the same comparison.

### Construction

The new business obtained by the construction industry showed a considerable percentage gain over the preceding year but the level remained low relative to that of the prosperous period culminating in 1929. The gain in contract awards to \$80 million compared with \$57 million amounted to 40.6 p.c., while building permits in 58 cities increased 60.7 p.c.

### 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 five months of 1937 was 11,501 million kilowatt hours compared with 10,414 million in the same period of last year. The gain of 10.4 p.c. represents a considerable expansion due to greater industrial and domestic demand. The output in the first five months of 1935, the high point before last year was 9,564 million kilowatt hours, the gain in the reported production of the present year over this total being 20.3 p.c.

### Railways

Carloadings in the first five months of 1937 numbered 1,011,000 compared with 928,000 in the same period of 1936, the gain being 7 p.c. The gross operating revenue of the Canadian National Railway and the Canadian Pacific Railway recorded gains of 11.8 p.c. and 8.4 p.c., respectively. During the period under review, the revenue of the Canadian National on Canadian lines was \$63.9 million compared with \$57.2 million. The gross operating revenue of the Canadian Pacific was \$55.3 million compared with \$51.1 million.

### Employment

The index of employment in manufacturing operations, being unaffected to any important extent by unemployment relief, is significant of the trend of business. The recall of employees by manufacturing concerns continued, the level of employment in the group showing further gain until June 1. The level of the last month was higher than at any other time since February 1930. The average index for the first six months of 1937, was 109.6, against 100.3 in the same period of last year, a gain of 9.3 p.c.







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

		Five Months		Increase + Decrease -
		1937	1936	
		Per Cent		
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	119.3	106.7	+ 11.8
Index of Industrial Production	1926=100	122.9	107.9	+ 13.9
Wholesale Prices	1926=100	84.2	72.4	+ 16.3
Index of Common Stock Prices	1926=100	139.1	115.9	+ 20.0
Inverted Bond Yields, Dominion	1926=100	143.2	142.3	+ 0.6
Mining Stock Prices	1926=100	164.1	146.5	+ 12.0
Bank Debits	\$000	15,294,091	14,111,283	+ 8.3
<u>Production and General Business</u>				
Mineral Production, 1926=100		172.9	156.6	+ 10.4
Copper Exports	Lbs.	151,752,400	158,621,400	- 4.3
Nickel Exports	Lbs.	90,034,600	73,766,300	+ 22.0
Lead Production (4 mos.)	Lbs.	132,979,502	120,220,331	+ 10.6
Zinc Exports	Lbs.	105,936,600	117,490,800	- 9.8
Gold Shipments	Fine Ozs.	1,629,320	1,444,352	+ 12.8
Silver Shipments	Fine Ozs.	7,310,325	6,726,684	+ 8.7
Coal Production	Tons	5,930,386	5,847,769	+ 1.4
Manufacturing Production 1926=100		119.4	104.8	+ 13.9
Flour Production (4 mos.)	Bbls.	4,158,432	4,182,210	- 0.6
Sugar manufactured	Lbs.	209,735,216	199,930,805	+ 4.9
Cattle Slaughtering	No.	612,111	569,896	+ 7.4
Hog Slaughtering	No.	1,728,089	1,329,920	+ 29.9
Cigarettes released	No.	2,427,117,889	1,966,408,543	+ 23.4
Cigars released	No.	43,224,339	40,336,872	+ 7.2
Leather Boots and Shoes (4 mos.)	Prs.	7,472,280	7,071,029	+ 5.7
Raw Cotton Imports	Lbs.	66,728,359	62,204,033	+ 7.3
Paper and Lumber -				
Newsprint Production	Tons	1,471,912	1,219,212	+ 20.7
Exports of Planks and Boards	Ft.	680,443,000	554,438,000	+ 22.7
Iron and Steel -				
Steel Ingot Production	Long Tons	594,433	496,504	+ 19.7
Pig Iron Production	Long Tons	345,666	283,973	+ 21.7
Automobile and Allied Industries -				
Automobile Production	No.	104,730	89,548	+ 17.0
Petroleum Imports	Gals.	346,594,657	323,829,723	+ 7.0
Crude Rubber Imports	Lbs.	24,742,769	19,637,197	+ 26.0
Construction -				
Contracts Awarded	\$	80,006,200	56,905,100	+ 40.6
Building Permits	\$	21,967,654	13,666,195	+ 60.7
Electric Power Production	000 K.W.H.	11,500,794	10,414,106	+ 10.4
External Trade -				
Exports	\$	416,950,132	344,603,615	+ 21.0
Imports	\$	305,147,005	236,206,611	+ 29.2
Excess of exports over imports	\$	111,803,127	108,397,004	+ 3.1
Railways -				
Carloadings	No.	1,011,103	928,392	+ 8.9
Gross Revenue C.N.R. (Can. Lines)	\$	63,916,000	57,150,000	+ 11.8
Gross Revenue C.P.R.	\$	55,339,000	51,068,000	+ 8.4
<u>Employment - 6 months' average, unadjusted</u>				
General Index, 1926=100		105.7	99.2	+ 6.6
Manufacturing		109.6	100.3	+ 9.3
Logging		168.0	131.5	+ 27.8
Mining		147.4	129.3	+ 14.0
Construction		66.9	77.6	- 13.8
Building		41.0	53.6	- 23.5
Highway		100.1	117.8	- 15.0
Trade		129.8	125.3	+ 3.6
<u>Banking - five Months' Average</u>				
Notice and Demand Deposits	\$	2,259,033,600	2,098,072,200	+ 7.7
Readily Available Assets	\$	1,606,273,900	1,494,574,990	+ 7.5
Current Loans	\$	702,314,960	731,185,300	- 3.9
Call Loans - Canada	\$	120,132,646	80,654,790	+ 48.9
Elsewhere	\$	73,119,032	63,065,470	+ 15.9
Security Holdings	\$	1,427,702,940	1,289,340,820	+ 10.7



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