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CANADA
DEPARTMENT OF TRADE AND COMMERCE
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GENERAL STATISTICS BRANCH

BUSINESS CONDITIONS IN CANADA

during the first half of 1937

compared with the

same period of 1936

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TABLE

DEPARTMENT OF THE ARMY
COMMISSIONED ENGINEERS
GENERAL STAFF

LIST OF COMMISSIONED ENGINEERS

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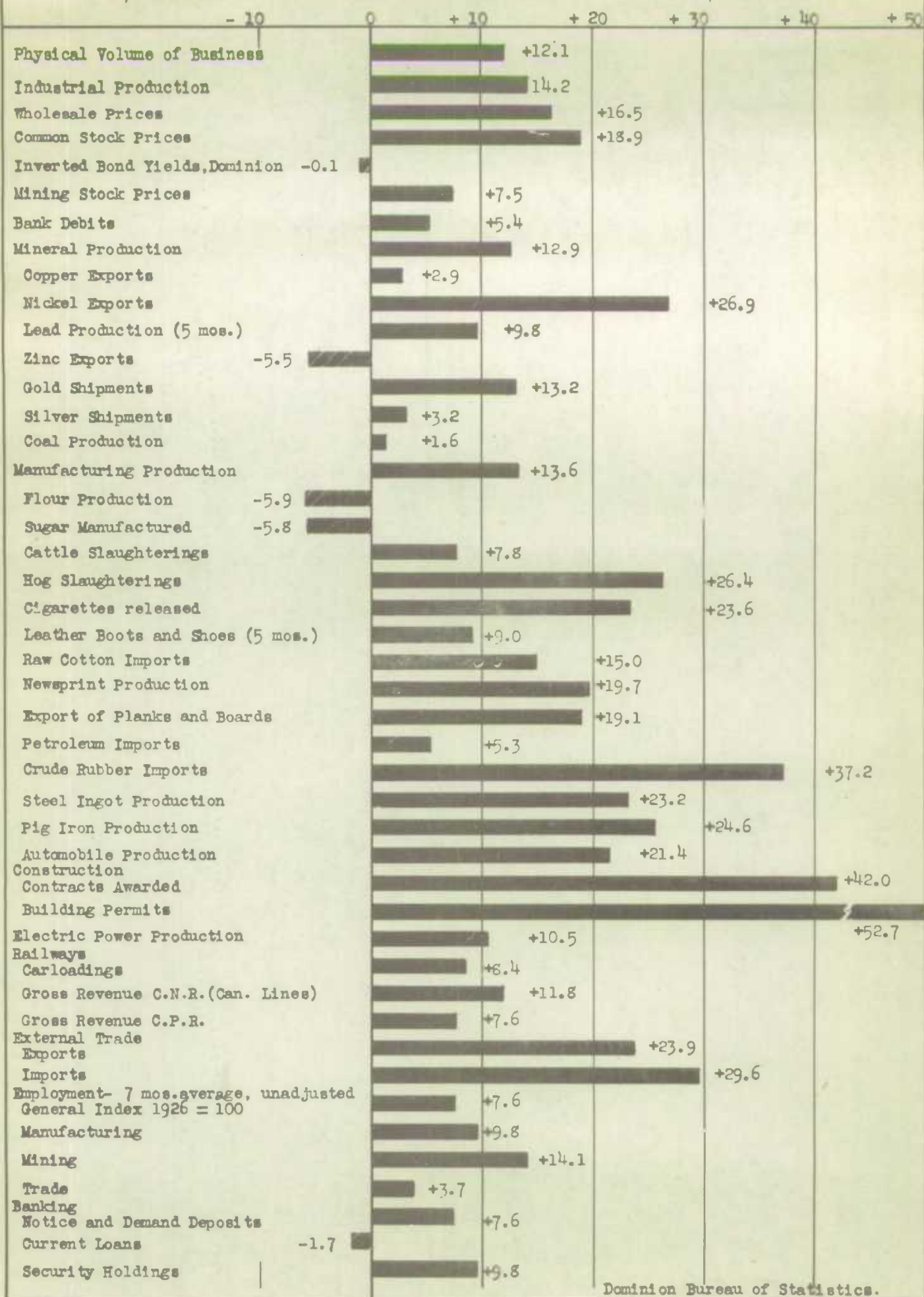
General Staff

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The Economic Situation in Canada
in the First Six Months of 1937.

% Decrease as compared with the same period of 1936.

% Increase



Dominion Bureau of Statistics.

Dominion Statistician:
Statistician:

R. H. Coats, LL.D., F.R.S.C., F.S.S. (Hon.)
Sydney B. Smith, M.A.

BUSINESS CONDITIONS IN CANADA DURING THE FIRST SIX MONTHS OF 1937
COMPARED WITH THE SAME PERIOD OF THE PRECEDING
YEAR

Constructive factors dominated the economic situation of Canada during the first half of 1937, and a greater measure of prosperity was enjoyed than in any year since 1930. Advances were recorded in most factors regarded as significant in the study of cyclical fluctuations. Productive operations were particularly strong, reaching a new high point since pre-depression years.

The period under review was characterized by marked gains in the deposit liabilities and readily available assets of the chartered banks. Due to the relatively low level of current loans, security holdings rose to a new historical maximum. Current and call loans, however, recorded gains in the first half of 1937 reversing the trend of the last six years.

The advance in wholesale prices was continued in the first quarter of the year, practically restoring pre-depression relationships between prices for manufactured goods and basic materials including farm products. 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. Speculative commodities reacted moderately in the second quarter, but constructive factors reasserted themselves in recent weeks.

Productive operations as measured by the index of the physical volume of business were about 12 p.c. greater than in the same period of the preceding year. The newsprint, mining and power industries reached new high records, showing marked gains over 1936. The increase in the volume of manufactured goods was nearly 14 p.c. Construction operations increased markedly but remained at a low level comparative to conditions in the last prosperity cycle. The expansion in production operations was due in large measure to the acceleration in external demand. The export trade of the Dominion recorded a gain of nearly 24 p.c. over the preceding year, several exceptional causes contributing to this result. One factor was the economic recovery general in most of the principal countries for which information is available. With facilities for the production of minerals and other natural products on a large scale, Canada was in a position to share fully in the revival of international trade. The Dominion recently occupied fourth place among the exporting nations surpassed only by Great Britain, the United States and Germany.

Public interest in security markets increased materially during the first quarter, particularly in the industrial and utility sections. Following the marked rise lasting for about ten months, a reaction occurred in the second quarter. The reaction was of a moderate character relative to the extensive advance from May 1935 to March of this year.

Mining

The mining industry enjoyed an exceptionally progressive period aided by the relatively high level in the prices of copper, lead and zinc and by the heavy demand for metals in British and foreign markets. The Dominion now holds first place in the production of nickel, third in copper and fourth in zinc.

The expansion in the operations of the gold mining industry continued unabated, the increase in shipments from the mines being no less than 13 p.c. The gain in silver shipments at 3.2 p.c. was also appreciable. Nickel exports showed an increase of 27 p.c. in quantity, the total having been 112 million pounds against 88 million. Copper exports recorded a gain of 3 p.c., the total in the first six months of 1937 having been 188 million pounds. Lead production reached a new maximum recording an increase of 20 p.c. over the same period of 1936. Zinc exports recorded a decline of 5.5 p.c. in volume, the exports in the period under review being 138 million pounds.

The increase in the output of coal from 6,385,000 tons to 6,994,000 is indicative of the slightly heavier volume of traffic handled by the railways during the period and of a betterment of conditions in the coal consuming industries. Excepting coal, asbestos is, from the standpoint of value, the most important non-metallic mineral produced in Canada, exports reaching a value of \$6.3 millions, an increase of nearly 56 p.c.

Electric Power Production

The use of hydro-electric power has grown rapidly in Canada playing a prominent part in the development of Canadian industries. The year 1936 recorded a peak of electric power production in the Dominion, the output showing a gain of 8.9 p.c. over the preceding year. During the last decade the capacity of hydro-electric installations in Canada has more than doubled, and the Dominion still possesses known reserves of hydro-electric power nearly five times as great as present developments. New installations during 1936 aggregated 36,475 horse power bringing the total for the Dominion at the end of the year to 7,945,590 h.p.

The output of central electric stations which supply over 90 p.c. of the electric power production of Canada was for the first six months of 1937, 13¹/₂ billion kilowatt hours, an increase of 10.5 p.c. 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 8,875,571,000 kilowatt hours, a gain of 8.5 p.c. over the 8,178 million kilowatt hours made available in 1936.

Forestry

Operations in the forestry group were greatly expanded in the elapsed portion of the present year. The production of newsprint reached a new high point in history, being close to the practically limit of capacity. Production in the half year was more than 1,782,000 tons, a gain of 19.7 p.c. over 1936. Timber scaled in British Columbia was about 1,276 million board feet, a gain of 1.7 p.c. from the preceding year.

One of the features of the rise in the foreign trade of the Dominion during recent months was provided by exports of forest products in which lumber and newsprint played the leading roles. The export of planks and boards at 863 million feet was 19 p.c. greater than in the preceding year. The forestry industry is one of the largest employers of labour, and working forces in logging showed a gain of 28.5 p.c., while both saw-milling and paper industries recorded advances of 13 p.c. and 12 p.c. respectively.

Manufacturing

Sufficient evidence is at hand to indicate that a marked increase was shown in the output of manufacturing plants in the elapsed portion of the present year. The official index of manufacturing production based on 30 factors indicating the trend in the principal industries, showed the appreciable gain of 13.6 p.c. The index of employment computed from returns received from plants having 15 hands and over, averaged 9.8 p.c. greater.

The output of industries concerned with producers' goods showed the marked gain of nearly 16 p.c. in the same comparison. The extremely low level of operation was one of the elements in the depression, and the repeated gains of the group in the last four years have contributed to the recovery. The iron and steel industry is typical of this group. The gain in the output of consumers' goods, on the other hand, was 9.4 p.c. The demand for consumers' goods, such as food and clothing, is normally without wide fluctuation. If the decline from 1929 to 1933 was relatively moderate, the increases since that time have also been of slight proportions. The index of the output of consumers' goods was 123.6 in the six months of 1937 against 113.0 in the preceding year.

Iron and Steel

In the first half of 1937, the steel industry showed striking acceleration in its operations, the output of steel, recording a gain of about 23 p.c. The increase in pig iron production was nearly 25 p.c. The volume of steel ingots during the first six months of 1937 was 713,000 long tons, while the output of pig iron was 424,000 tons. The index of employment based on monthly returns from the principal firms in the iron and steel group averaged more than 15.3 p.c. higher than in 1936. The average standing of the index was 104.2 against 90.4 in the preceding year. 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 four years.

Automobiles

The gain in the output of cars and trucks over the first six months of 1936 was 21.4 p.c., the production of the same period of last year having been 106,000 units.

The imports of crude rubber used largely in the manufacture of automobile tires at 33.2 million pounds in 1937 showed a gain of 37 p.c. The index of employment in the rubber industry averaged 102.8 in 1937 against 95.3 in the preceding year.

The first of the two main branches of the river is the North Branch, which rises in the mountains of the State of New York, and flows northward to the city of Albany. The second branch is the South Branch, which rises in the mountains of the State of Virginia, and flows southward to the city of Richmond. Both branches are of great importance to the commerce of the State.

The North Branch of the river is the larger of the two, and its waters are used for the purpose of navigation. The South Branch is smaller, but its waters are also used for navigation.

The river is a great source of power, and its waters are used for the purpose of generating electricity. The river is also a great source of water for the cities of Albany and Richmond.

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The operations of the oil industry measured by the imports of crude petroleum showed acceleration in the period under review. The gain in receipts of crude petroleum from external points from 477.4 million gallons to 502.7 million amounted to 5.3 p.c.

Construction

The award of new business to the amount of 110.4 million during the first half of 1936 indicates that one of the industries most tardy in recovery, is now making more satisfactory progress. This amount compares with \$77.7 million in the same period of last year, a gain of about 42 p.c. The continued successful development of mineral resources is resulting in a marked expansion in building in communities adjacent to mining operations accounting for considerable new building in those areas apart from actual mining operations.

It has been estimated that about thirty thousand dwellings per year are needed for replacements and additions corresponding to the normal growth of the population. Not more than half of this number have been erected in each of the last five years. Since a large number of industries are now operating at high levels, the construction of industrial plants has lately become a factor.

External Trade

The substantial gain in external trade, especially in imports, was one of the chief constructive developments of the period. Total exports of merchandise were nearly \$526 million in the first six months of 1937, against \$424.5 million in the preceding year, an increase of 24 p.c. A gain of 29.6 p.c. was shown in imports, the total in the last six months having been \$381 million. Despite the greater increase in imports, the balance of trade was very largely in Canada's favor.

Several causes contributed to the surprising expansion in the export trade of the Dominion during the period. One factor was the continuance of the economic recovery which was practically general in all of the principal countries for which information is available. The higher level in wholesale prices in the first half of the year also added appreciably to the value of our trade.

Railways

Owing to the marked degree of mutual dependence existing between industries and the railways, the operating and financial records of the latter present a measure of industrial activity. Railway traffic in the period showed a considerable increase over the preceding year. The gain in carloadings over 1936 was 8.4 p.c., the total having been 1,224,000 cars against 1,129,000. Eight of the eleven groups in the traffic classification recorded gains in this comparison. The deficit in the grain movement was 31,000 cars, and coal and coke recorded declines. An encouraging feature was the gain of 74,000 cars, or 29 p.c. in the movement of miscellaneous commodities. Forestry products such as pulpwood, pulp and paper and miscellaneous wood products were moved in much greater volume. Ore recorded a gain of 31 p.c., and a large increase was shown in l.c.l. merchandise.

Banking

The Canadian chartered banks continued to improve their liquid position becoming the custodians of more and more of the peoples' savings. The sum of notice and demand deposits averaged a new maximum for any similar period with some \$2,263 millions credited to depositors. The sum of demand deposits at over \$713 millions was above the average level of 1929. Current loans on June 30 maintained the forward movement begun last August, crossing the \$725 million line at \$728 million, the highest since March, 1936.

The portfolios of the banks during June contained security holdings at a new maximum with \$1,442 millions, accentuating the position of the banks as the leading financier of government. Reflecting the year's rise in prices and increased business activity, notes in the hands of the public at the end of June exceeded \$196 millions, representing the largest volume in use for any similar month since 1921.

Public Finance

Governmental revenues continue to register encouraging improvement giving additional confirmation to budget optimism. For the first three months of the current fiscal year, the surplus of total receipts over total expenditure was no less than 52 million dollars compared with 16 millions last year, in the same comparison. Since the Minister of Finance budgeted for an increase of only 33 millions in revenue for the present fiscal year over 1936-37, there is every indication that his hopes will be more than realized.

Custom import duties showed a gain of 17.4 p.c. in the three months comparison. Excise taxes, sales taxes, stamps, etc., registered an advance of nearly 40 p.c., while income tax with 81.6 millions collected represents an increase of 23.7 p.c. Total revenue received at \$167 millions was 24 p.c. greater than that of the same period of 1936, while total expenditure decline slightly from \$118.4 millions to \$115.0 millions, a decrease of nearly 3 p.c.

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

		Six Months		Increase + Decrease - Per Cent
		1937	1936	
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	120.4	107.4	+ 12.1
Index of Industrial Production	1926=100	124.2	108.8	+ 14.2
Wholesale Prices	1926=100	84.2	72.3	+ 16.5
Index of Common Stock Prices	1926=100	137.5	115.6	+ 18.9
Inverted Bond Yields, Dominion	1926=100	143.4	143.5	- 0.1
Mining Stock Prices	1926=100	159.2	148.1	+ 7.5
Bank Debits	\$000	18,186,008	17,246,853	+ 5.4
<u>Production and General Business</u>				
Mineral Production, 1926=100		177.6	157.3	+ 12.9
Copper Exports	Lbs.	188,473,200	183,215,800	+ 2.9
Nickel Exports	Lbs.	111,705,600	87,994,400	+ 26.9
Lead Production (5 mos.)	Lbs.	167,162,552	152,267,991	+ 9.8
Zinc Exports	Lbs.	138,097,300	146,136,400	- 5.5
Gold Shipments	Fine Ozs.	1,979,414	1,748,200	+ 13.2
Silver Shipments	Fine Ozs.	8,603,831	8,336,539	+ 3.2
Coal Production	Tons	6,994,251	6,885,478	+ 1.6
Manufacturing Production 1926=100		120.3	105.9	+ 13.6
Flour Production (5 mos.)	Bbls.	5,058,720	5,378,549	- 5.9
Sugar manufactured	Lbs.	275,509,721	292,386,286	- 5.8
Cattle Slaughtering	No.	761,080	705,871	+ 7.8
Hog Slaughtering	No.	2,021,630	1,599,394	+ 26.4
Cigarettes released	No.	3,055,861,515	2,472,517,030	+ 23.6
Cigars released	No.	55,217,707	51,754,777	+ 6.7
Leather Boots and Shoes (5 mos.)	Prs.	9,500,515	8,716,137	+ 9.0
Raw Cotton Imports	Lbs.	80,070,608	69,619,684	+ 15.0
Paper and Lumber -				
Newsprint Production	Tons	1,782,783	1,489,263	+ 19.7
Exports of Planks and Boards	Ft.	862,634,000	724,048,000	+ 19.1
Iron and Steel -				
Steel Ingot Production	Long Tons	713,177	578,700	+ 23.2
Pig Iron Production	Long Tons	423,944	340,335	+ 24.6
Automobile and Allied Industries -				
Automobile Production	No.	128,571	105,948	+ 21.4
Petroleum Imports	Gals.	502,749,556	477,448,891	+ 5.3
Crude Rubber Imports	Lbs.	33,231,412	24,211,377	+ 37.2
Construction -				
Contracts	\$	110,375,800	77,708,500	+ 42.0
Building Permits	\$	27,981,322	18,322,884	+ 52.7
Electric Power Production	000 K.W.H.	13,754,271	12,443,086	+ 10.5
External Trade -				
Exports	\$	525,807,475	424,545,951	+ 23.9
Imports	\$	380,815,689	293,804,743	+ 29.6
Excess of exports over imports	\$	144,991,786	130,741,208	+ 10.9
Railways -				
Carloadings	No.	1,223,723	1,129,232	+ 8.4
Gross Revenue C.N.R. (Can.Lines)	\$	77,222,612	69,082,000	+ 11.8
Gross Revenue C.P.R.	\$	66,758,000	62,014,000	+ 7.6
<u>Employment - 7 months' average, unadjusted</u>				
General Index, 1926=100		107.6	100.0	+ 7.6
Manufacturing		110.9	101.0	+ 9.8
Logging		161.9	126.0	+ 28.5
Mining		148.3	130.0	+ 14.1
Construction		75.7	80.4	- 5.8
Building		45.1	53.3	- 15.4
Highway		119.0	122.1	- 2.5
Trade		130.3	125.6	+ 3.7
<u>Banking - Six Months' Average</u>				
Notice and Demand Deposits	\$	2,263,026,813	2,102,809,249	+ 7.6
Readily Available Assets	\$	1,602,751,466	1,496,793,257	+ 7.1
Current Loans	\$	706,644,201	718,892,605	- 1.7
Call Loans - Canada	\$	119,465,018	82,365,278	+ 45.0
Elsewhere	\$	72,680,000	63,291,556	+ 14.8
Security Holdings	\$	1,430,079,033	1,302,476,915	+ 9.8



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