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BUSINESS CONDITIONS IN CANADA

during the first ten months of 1938

compared with the

same period of 1937



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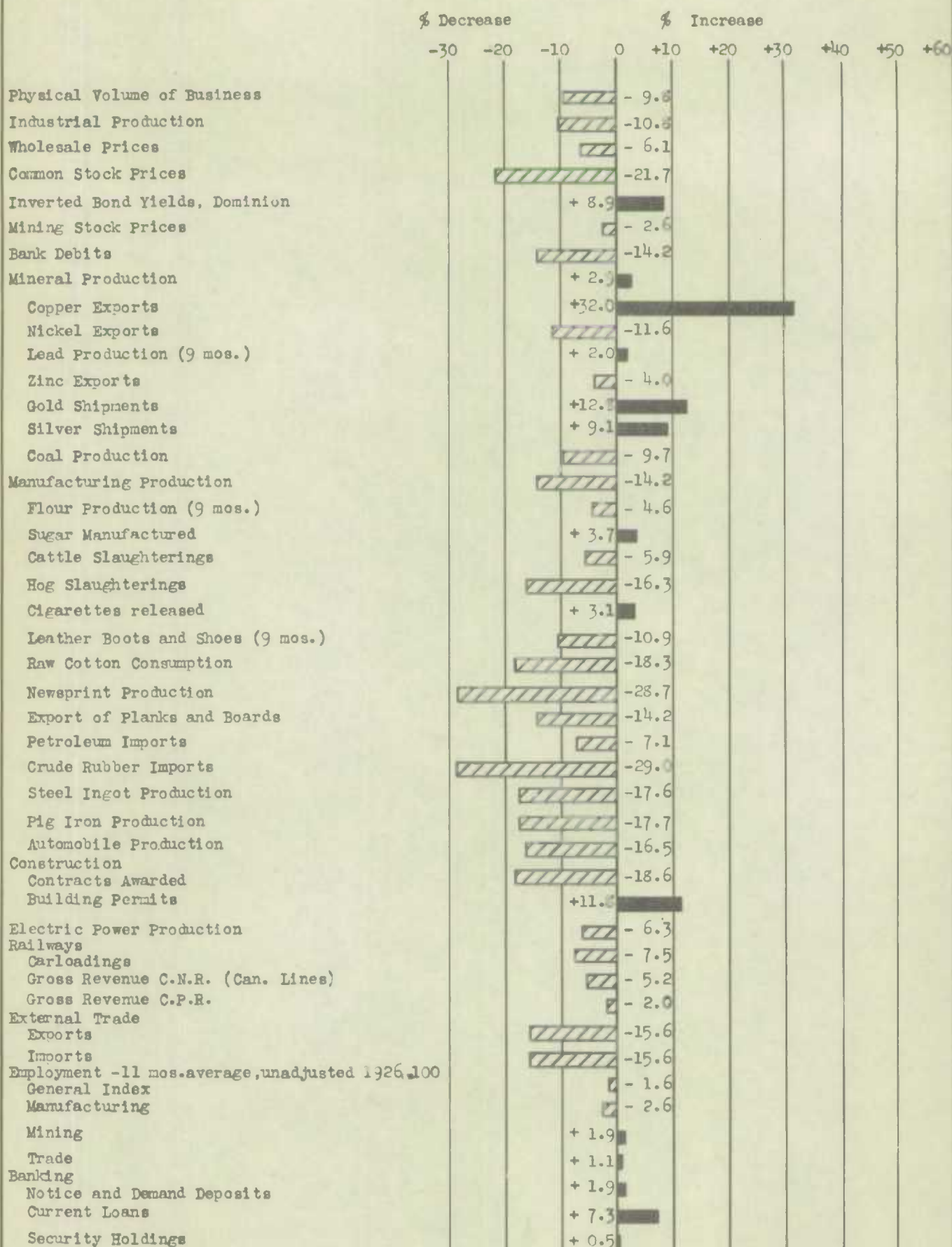
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The Economic Situation in Canada
In the First 10 Months of 1938
as compared with the same period of 1937.



(Fourteen items record gains, while
31 were at a lower position)

DOMINION BUREAU OF STATISTICS - OTTAWA

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 TEN MONTHS
OF 1938 COMPARED WITH THE SAME PERIOD OF LAST YEAR

The average of important factors indicating the trend of economic conditions continued steady during the first ten months of the year. A strengthening development was the higher level reached by industrial activity during recent months. The index of the physical volume of business moved up sharply in September and was practically maintained in October, the latest month for which statistics are available. During the first eight months of the year, the reduced level recorded for January was approximately maintained without wide fluctuation in either direction. The net result during the first ten months was that the index of the physical volume of business averaged 110.4 against 122.4 in the same period of 1937. It will be recalled that the business index averaged higher last year than in any other year on record except 1929.

The favourable showing in recent months exhibited by the business index was somewhat counteracted by the reactionary tendency in wholesale prices. The highest point of recent years was reached in July, 1937 and a downward trend has been shown since that time. The reaction was particularly pronounced during July and August, when excellent grain crops at home and abroad exerted an adverse influence on crop prices. The downward fluctuation from the beginning of September has been relatively slight but the weekly index of wholesale prices was recently about 12 per cent below the standing of the same period of 1937. Owing to the more drastic decline in raw materials, especially of farm origin, considerable disparities have developed in the last twelve months.

Long-term interest rates as reflected by the yields on Dominion bonds have averaged lower this year than at any time since the early years of the century. Bonds were high in the latter part of 1936 but the maximum of that period has been exceeded during the last ten months. An index of capitalized bond yields has averaged nearly 9 per cent higher than in 1937. The only wide fluctuation in 1938 was the decline during September in the face of the European crisis. Capitalized Dominion bond yields have recovered sharply since that time and last week were higher than at any time during the present year.

The fluctuation in common stock prices has been downward since March, 1937, when the high point of recent years was reached. The severest reaction of the period was shown in September and October of last year. During 1938 no important trend has developed in either direction. Downward fluctuation was shown in March and September, but these declines were counterbalanced by subsequent rallies and the levels of October and the early part of November were higher than at any other time during the last twelve months. The standing in the week of November 24 of the index of common stock prices was 109.2 against 99.0 in the same week of 1937.

The deposit liabilities of the chartered banks rose to a new high level during the elapsed portion of 1938. The advance of recent years commenced about the middle of 1934 and continued sharply until the early part of last year. The sum of the demand and notice deposits has averaged during the first ten months 1.9 per cent higher than in the same period of 1937. The high level of bank deposits is an element in the strong financial background. High levels have recently been shown also in readily available assets, security holdings and in the price of Dominion Government bonds. Fortified by the operations of the Bank of Canada, the chartered banks are in a strong position to assist in financing an expansion of Canadian business.

Owing in part to the high level of industrial operations during 1937, the comparisons with that year are mainly adverse. It should not be inferred, however, that the decline will be continued into 1939. While comparisons are unfavourable with last year, many constructive developments would indicate that prospects are now more encouraging than they were twelve months ago.

In view of the strong secular trend of the mining industry, a slight gain was shown in the volume of production over the same period of 1937. The index of mineral production averaged nearly 3 per cent higher than one year ago. The gain in copper exports was 32 per cent and a slight gain was recorded in lead production.

THE HISTORY OF THE
CITY OF BOSTON

The city of Boston, situated on a neck of land between the harbor and the bay, has a history of more than three centuries. It was first settled by Englishmen in 1630, and has since that time been a center of commerce and industry. The city has grown from a small fishing village to a metropolis of over a million inhabitants. It has been the seat of many important events in American history, and has produced many of the nation's most distinguished leaders. The city is known for its harbor, its museums, and its many historic landmarks. It is a city of great beauty and interest, and is well worth a visit.

The city of Boston is one of the oldest in the United States. It was founded in 1630 by a group of Puritan settlers. The city has a rich history and is home to many important landmarks. The city is known for its harbor, its museums, and its many historic landmarks. It is a city of great beauty and interest, and is well worth a visit.

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during the first nine months. Gold and silver shipments were considerably heavier than in the first ten months of 1937. A decline of nearly 10 per cent was shown in the output of coal, reflecting reduced demand from industry and transportation.

Manufacturing production averaged slightly more than 14 per cent below the high levels of 1937, the index dropping from 123 to 105. Decline was shown in a majority of the thirty items from which the composite is made up. Newsprint production showed a decline of nearly 29 per cent, the total having been 3.0 million tons against 2.2 million. The exports of planks and boards, indicating conditions in the sawmilling industry, declined 14 per cent. Exports in the first ten months of 1938 were 1,353 million feet. Production in the primary iron and steel industry showed a reduction of between 17 and 18 per cent. The decline in automobile production was $16\frac{1}{2}$ per cent., the output having been 141,303 units against 169,774. The imports of crude petroleum showed a reaction of 7 per cent only, while a much larger decline was shown in the imports of crude rubber mainly used in the manufacture of tires. Building permits are now showing a gain over the same period of 1937, while the decline in contracts awarded amounted to 18.6 per cent. The railway freight movement showed some improvement during the fall months in view of the greater loadings of grain in the western provinces, but the total carloadings recorded a decline of $7\frac{1}{2}$ per cent.

Despite the drop in industrial activity as outlined above, employment was more nearly maintained than might have been expected. The general index averaged for the first eleven reporting dates was 111.6 in 1938 against 113.4 in the preceding year. The reaction was consequently limited to 1.6 per cent. The decline in manufacturing plants was slightly greater at 2.6 per cent. Gains were recorded in mining, construction and trade.

Statistics Illustrating the Economic Situation of Canada in Ten Months of 1938
Compared with the Same Period of 1937

Item	Unit or base period	First Ten Months of 1937	1938	Increase + Decrease - Per cent
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	122.4	110.4	- 9.8
Index of Industrial Production	1926=100	126.3	112.6	- 10.8
Wholesale Prices	1926=100	84.8	79.6	- 6.1
Index of Common Stock Prices	1926=100	131.8	103.2	- 21.7
Capitalized Bond Yields, Dominion	1926=100	144.2	157.0	+ 8.9
Mining Stock Prices	1926=100	149.3	145.4	- 2.6
Bank Debits	\$ 000	29,159,031	25,010,198	- 14.2
<u>Production and General Business</u>				
Mineral Production	1926=100	188.4	193.9	+ 2.9
Copper Exports	Lbs.	346,531,400	457,489,700	+ 32.0
Nickel Exports	Lbs.	186,385,600	164,855,600	- 11.6
Lead Production (9 mos.)	Lbs.	312,736,666	318,906,882	+ 2.0
Zinc Exports	Lbs.	271,757,600	260,929,000	- 4.0
Gold Shipments	Fine Ozs.	3,384,282	3,818,091	+ 12.8
Silver Shipments	Fine Ozs.	17,482,163	19,078,316	+ 9.1
Coal Production	Tons	12,487,794	11,282,281	- 9.7
Manufacturing Production	1926=100	122.7	105.3	- 14.2
Flour Production (9 mos.)	Bbls.	9,627,293	9,182,119	- 4.6
Sugar Manufactured	Lbs.	792,999,928	822,174,714	+ 3.7
Cattle Slaughtering	No.	1,385,282	1,303,745	- 5.9
Hog Slaughtering	No.	3,037,922	2,542,296	- 16.3
Cigarettes released	No.	5,579,895,296	5,751,515,034	+ 3.1
Cigars released	No.	101,821,516	107,319,726	+ 5.4
Leather Boots and Shoes (9 mos.)	Prs.	16,867,805	15,029,863	- 10.9
Raw Cotton Consumption	Lbs.	111,795,780	91,356,644	- 18.3
Paper and Lumber -				
Newsprint Production	Tons	3,042,970	2,169,532	- 28.7
Exports of Planks and Boards	Ft.	1,576,946,000	1,352,951,000	- 14.2
Iron and Steel -				
Steel Ingot Production	Long Tons	1,191,989	982,634	- 17.6
Pig Iron Production	Long Tons	735,360	605,472	- 17.7
Automobile and Allied Industries -				
Automobile Production	No.	169,774	141,803	- 16.5
Petroleum Imports	Gals.	1,137,404,630	1,056,956,181	- 7.1
Crude Rubber Imports	Lbs.	64,246,991	45,644,511	- 29.0
Construction -				
Contracts Awarded	\$	198,576,800	161,572,700	- 18.6
Building Permits	\$	47,135,318	52,691,485	+ 11.8
Electric Power Production	000 K.W.H.	22,702,265	21,267,787	- 6.3
External Trade -				
Exports	\$	938,656,497	792,198,643	- 15.6
Imports	\$	675,130,782	569,861,699	- 15.6
Excess of exports over imports	\$	263,525,715	222,336,944	- 15.6
Railways -				
Carloadings	No.	2,196,063	2,030,887	- 7.5
Gross Revenue C.N.R. (Can. Lines)	\$	137,001,000	129,831,980	- 5.2
Gross Revenue C.P.R.	\$	119,948,000	117,604,672	- 2.0
<u>Employment 11 months' average, unadjusted</u>				
General Index	1926=100	113.4	111.6	- 1.6
Manufacturing		114.3	111.3	- 2.6
Logging		174.2	140.6	- 19.3
Mining		152.3	155.2	+ 1.9
Construction		99.1	104.7	+ 5.7
Building		58.7	59.2	+ 0.9
Highway		173.5	195.4	+ 12.6
Trade		131.4	132.9	+ 1.1
<u>Banking - 10 Months' Average</u>				
Notice and Demand Deposits	\$	2,263,212,010	2,305,278,687	+ 1.9
Readily Available Assets	\$	1,584,061,085	1,603,530,761	+ 1.2
Current Loans	\$	726,284,117	779,034,710	+ 7.3
Call Loans - Canada	\$	112,666,826	67,183,866	- 40.4
Elsewhere	\$	70,125,624	51,835,303	- 26.1
Security Holdings	\$	1,431,397,280	1,438,676,353	+ 0.5



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